

Lawmakers asked to look at possible ‘loopholes’ in new sex offender law

by Rebecca Barrett Mullins
LRC Public Information

State lawmakers have been asked to close what the state Attorney General’s office called “loop-holes” to Kentucky’s new sex offender law.

The expansive legislation, called House Bill 3, was crafted by lawmakers in cooperation with the Attorney General’s Office and the state Justice and Public Safety Cabinet over several months. The changes proposed in the Sept. 19 meeting of the Interim Joint Committee on Judiciary would revise some “loopholes” related to sex offender registration, incest and the overall intent of the bill, according to Office of Criminal Appeals director and former State Rep. Charles Geveden.

Changes in how often all convicted sex offenders, not just the most serious offenders, are required to register their whereabouts with the state was the first change the Attorney General’s Office proposed. Under the law now, Geveden said, only the worst offenders who must register throughout their lifetime

“If you look at the outstanding warrants of sexual predators alone and just arrest those people, we would be ahead of things...”

State Sen. Dan Seum

are required to verify their address with the state every 90 days. All other offenders—who must register for 20 years— supply that information

annually.

“We believe there should be a 90-day verification for all,” said Geveden.

Clarifying how HB 3 affects those who were on the registry before the bill’s passage along with the wording of incest provisions in the bill is also recommended, he said.

Deputy Attorney General Pierce Whites said his office’s recommendations are unrelated to the recent passage of broad federal legislation that expands the tracking and prosecution of sex offenders. The Adam Walsh Child Protection and Safety Act, signed into law by President Bush in late July, will require that a sex offender’s address be listed in a national database for easy detection. Failure to keep their contact information current could result in felony prosecution and 10 years in prison.

Committee Co-chair Rep. Gross Lindsay, D-Henderson, asked Whites if the Walsh Act will adhere to the changes proposed by the Attorney

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Legislators updated on ‘No Child Left Behind’ results

by Chuck Truesdell
LRC Public Information

Nearly two-third of all Kentucky schools met all their annual goals under the No Child Left Behind Act, with most others schools missing only one or two goals, Education Commissioner Gene Wilhoit told lawmakers on Sept. 11.

The federal law, which became law in 2002, requires schools to test students in reading, math and science. Schools must show achievement and progress not only as a whole, but also within targeted subgroups such as racial minorities, students with disabilities, and students living in poverty. Because some schools do not have enough students in a subgroup to measure their progress, some schools have more goals to achieve than others.

Kentucky was ahead of most states when NCLB became law, Wilhoit said, because The Kentucky Education Reform Act had already implemented many of the federal goals. The larger impact, he said, was that “for the first time, judg-

ments about student results are tied to federal resources.”

Of Kentucky’s 1,164 schools that were measured, 766 met all of their goals, while 1,007 met at least 80 percent of their goals. Even missing one goal, however, could result in federal consequences, the first being that students at that school must be allowed to transfer to another school.

By and large, schools failing to make adequate yearly progress on all counts failed to chart progress in a subgroup within one testing area — the most common being students with disabilities failing to make sufficient progress in reading. As a rule, elementary schools fared better than middle schools and high schools, in part because small subgroups aggregate at the higher level, targeting more goals to reach, Wilhoit said.

Wilhoit cautioned lawmakers not to make comparisons among states. Each state sets its own standards for what constitutes acceptable

No Child Left Behind



achievement, he said. “A lot of people see that as a problem with No Child Left Behind,” he added.

As a result of the differing standards, some states have set low benchmarks that can easily be reached. Kentucky has maintained its high standards from the pre-NCLB era. The balance between providing positive affirmation to school leaders and setting world-class goals is a tough one to achieve. “That’s a major policy dilemma for all of us,” Wilhoit said.

The federal law is currently up for reauthorization, the commissioner said, and the voices of the various state leaders will trigger a cautious review. “My guess is it will take longer than the schedule calls for” before the updated law will finally pass Congress, he said.

Judiciary,

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General's Office. Whites said it is not yet known how Kentucky will be affected by the law. Federal regulations implementing the law will need to be drafted first.

"We don't know enough about the specifics of it until U.S. Attorney General (Alberto) Gonzalez weighs in (with what is expected of the states)," Whites said.

Improving enforcement of the state's sex offender statutes could be as simple as better tracking of sexual predators with outstanding warrants against them, added Sen. Dan Seum, R-Louisville. Seum said the last time he checked, there were some 40,000 outstanding felony warrants in Kentucky including warrants for sex offenders.

"If you look at the outstanding warrants of sexual predators alone and just arrest those people we would be ahead of things," said Seum. "Sometimes we complicate these things."

The committees also heard from Whites and other officials from the Attorney General's Office on the office's legislative proposals for the 2007 legislative session. Proposals include better remediation of homes contaminated by methamphetamine production, stricter penalties for criminal justice employees who engage in sex acts with prisoners, parolees and inmates, student loan assistance for prosecutors, public defenders and legal service attorneys, stronger identify theft protections and passing a whistleblower statute to increase recovery of dollars lost to Medicaid fraud.

Kentucky keeps 30 percent of the amount recovered from Medicaid fraud cases in the state while the federal government receives 70 percent. Should the state pass a False Claims act that allows a person alleging fraud to file a lawsuit on behalf of the commonwealth, Kentucky could recover an additional 10 percent from those cases, said Whites.

Rep. Kathy Stein, D-Lexington, asked if federal law allowing states with whistleblower laws in effect to recover an extra 10 percent is an attempt to shift prosecution for Medicaid fraud to the states. Whites said no.

"I think this is a sign that a large number of these cases are going to be in state court. This will increase the number of cases we have," he said. "The feds see this as a good situation because...even though they get less, they get more."

Raw milk discussion at a stalemate

by Rebecca Barrett Mullins
LRC Public Information

A state task force discussion on whether or not to allow in-state sales of raw milk and its products that began last summer is at a stalemate.

State lawmakers learned that news on Sept. 13 at a meeting of the Interim Joint Committee on Agriculture and Natural Resources from Mike Judge, executive director of the state Office of Agriculture Marketing and Product Promotion. Judge told lawmakers that no consensus on whether to allow the production, sale, purchase and consumption of raw milk or raw milk products in the commonwealth was reached by the state Raw Milk Task Force, created by the 2006 General Assembly.

But Judge added that he doesn't expect the issue to "go away" because of strong support for and against non-pasteurized milk sales in Kentucky.

"There is a small but growing group of individuals that feel passionately about being able to produce, sell, purchase and consume non-pasteurized milk and milk products," Judge wrote in a letter to House Agriculture and Small Business Committee Chairman Rep. Tom McKee, D-Cynthiana, adding "There is an equally passionate



Rep. Adrian Arnold, D-Mt. Sterling, speaks at a University of Kentucky College of Agriculture Roundup Week event on Sept. 13.

group that feels that this would not be in the larger public health interest to do so."

Supporters, according to Judge, say consuming raw milk and its products have health benefits and that many states already allow for raw milk and milk product sales under certain conditions. A raw milk survey conducted by

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Lawmakers told cervical cancer vaccine holds promise

by Rob Weber
LRC Public Information

A newly approved vaccine for cervical cancer was described as a medical breakthrough that will save lives in Kentucky and across the nation during the Sept. 20 meeting of the General Assembly's Health and Welfare Committee.

With more than 10,000 cases of cervical cancer in the United States each year, the disease is a major women's health issue. This summer, the Food and Drug Administration licensed Gardasil, the first cervical cancer vaccine in the U.S., for use by women ages 9 to 26. The vaccine is given through three shots over a six month period, costing a total of about \$360.

Scientists created the vaccine by developing an immunization against four sexually transmitted types of the human papillomavirus (HPV).

"The interesting thing about HPV

and cervical cancer is that you have to have an infection with HPV in order to develop cervical cancer," said Liana Clark, M.D., a specialist in adolescent medicine and regional medical director for Merck and Co., the maker of Gardasil. "This is the first time that we have shown an infection is a necessary cause for development of cancer."

Gardasil targets the types of HPV that account for more than 70 percent of cervical cancer cases. Researchers are still working on developing immunizations against other strains of HPV that cause cervical cancer, Clark said.

Sen. Julie Denton, co-chair of the Health and Welfare Committee, said citizens need to be informed about the availability of the new vaccine.

"I think the key with HPV and Gardasil is going to be education so people know that this is available," said Denton, R-Louisville. "The key is to get the immunization prior to exposure because once you're exposed, it won't do any good to get the shots."



Sen. Tom Burch, D-Louisville, asks a question at the Sept. 20 meeting of the Interim Joint Health and Welfare Committee.

Health and Welfare Committee Co-chair Rep. Tom Burch, D-Louisville, said he hopes the price of Gardasil comes down over time.

Clark said she didn't know whether the price will drop, but that the vaccine will lead to lower overall health care costs by preventing cervical cancer.

Rose said the vaccinations are

cost-effective.

"The cost here in Kentucky to treat cervical cancer and the precursor to cervical cancer is in excess of \$25 million a year," she said. "And so for just a few million, maybe two or three million dollars, we could make this immunization available to women ... That's not a heck of a lot to save \$25 million in future years."

2007 Regular Session Calendar

2007 REGULAR SESSION CALENDAR (9/8/06)

JANUARY – PART I

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2 Part I Convenes (1)	3 (2)	4 (3)	5 (4)	6
7	8	9	10	11	12	13
14	15 Martin Luther King, Jr. Day	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

Bill drafts may be requested during break between Parts I and II for introduction when Part II convenes.

FEBRUARY – PART II

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1	2	3
4	5	6 Part II Convenes (5)	7 (6)	8 (7)	9 Last day for new bill requests (8)	10
11	12 (9)	13 (10)	14 (11)	15 (12)	16 Last day for new Senate bills (13)	17
18	19 Presidents' Day HOLIDAY	20 Last day for new House bills (14)	21 (15)	22 (16)	23 (17)	24
25	26 (18)	27 (19)	28 (20)			

() Denotes Legislative Day

MARCH

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1	2	3
4	5 (23)	6 (24)	7 (25)	8 (26)	9 Concurrence (27)	10
11	12 Concurrence (28)	VETO	VETO	VETO	VETO	VETO
18	VETO	VETO	VETO	VETO	VETO	
25	26 (29)	27 SINE DIE (30)	28	29	30	31

Budget committee reviews 2007 state health plans

by Rebecca Barrett Mullins
LRC Public Information

Lower-than-expected premiums, no change in existing benefits and a new health plan will be offered to employees in the state's self-insured health group next year, a legislative budget committee heard on Sept. 28.

Premiums will increase only 5.9 percent in 2007, with individuals paying no premiums if they select the existing Commonwealth Enhanced plan or the new Commonwealth Select plan, Personnel Cabinet Secretary Brian Crall told the Interim Joint Committee on Appropriations and Revenue. Those selecting the lowest-cost coverage for couples will pay \$274.90 a month, while the lowest-cost family plan will cost \$339.12 monthly.

Crall said state officials are pleased they were able to keep premium increases below an earlier estimate of 9 percent.

"I know most of us are pleased that the rates are 30 percent lower than that 9 percent, and at least 50 percent lower than (the current) trend," he told lawmakers. "I have not yet heard of an increase less than 7 percent."

Benefits offered under the three existing plans will stay the same, Crall added, so employees will see no change in coinsurance, copays or deductibles if they keep the same coverage. Those keeping the same plan and level of coverage will be automatically enrolled. Only employees who change plans, waive coverage, add or drop dependents or enroll in a Flexible Spending Account (FSA) will need to fill out new paperwork.

The new Select plan and a new employer contribution for those waiving coverage were explained in depth, particularly the rollover Health Reimbursement Account (HRA) that will be part of both the Select and waiver options.

Under the high-deductible Select plan, between \$1,000 and \$2,000 will be put into the HRA each year by the state depending on the level of coverage, according to Personnel Cabinet official Christine Wilcoxson. Any funds left in the account at year's end will rollover to the next, unlike funds employees contribute to an FSA. The FSA funds are lost if not used by the end of the plan year.

Employees will use the HRA to

pay their copays, coinsurance and deductibles up to the amount available in the account, Wilcoxson said. After the account is depleted, those charges will come out of pocket, she said. If the account has funds remaining at the end of the plan year, that money will rollover. The funds will stay in the HRA as long as an employee remains in the Select plan or continues to waive coverage, according to the Personnel Cabinet.

Those employees who waive coverage will have \$175 a month—or \$2,100 annually—deposited into an HRA that will rollover each year, said Crall. While the waiver amount is less than the current waiver amount of \$200 placed in employee FSAs, Crall reminded lawmakers that FSA money is lost if unused by Dec. 31.

While the HRA will replace the FSA for those who waive, Crall said the FSA will still be available to employees who wish to self-contribute. Having the extra pot of money could help them meet their out-of-pocket maximum amount or other expenses, he said.

Only active employees will be enrolling in the Select plan next year, said Crall, explaining that the state retirement systems had concerns about how the plan would affect retirees, those in a Medicare plan and other employees.

"If they think it is something that will benefit the retirees, they will come to the Legislature and request (a change)," he said.

Committee Co-chairs Sen. Charlie Borders, R-Russell, and Rep. Harry Moberly, D-Richmond, praised the state group's self insurance model implemented statewide this year as a success.

"I indeed worked for a company where it did not work," said Borders. He applauded state officials for making it work in Kentucky.

"It seems to me this is a very good move for 2007," Moberly said of the state group offerings, "and it seems we made a very good choice going to self insurance."

Health and Family Services Secretary Mark Birdwhistell told the chairmen the state has "only begun" to see the results of the self funded insurance program.



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Committee Meetings

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Interim Joint Committee on Agriculture and Natural Resources

Minutes of the 2nd Meeting of the 2006 Interim August 24, 2006

The 2nd meeting of the Interim Joint Committee on Agriculture and Natural Resources was held on Thursday, August 24, 2006, at 10:00 AM, in the VIP Room, Kentucky Fair and Exposition Center, Louisville, Kentucky. Senator Tom Jensen, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Tom Jensen, Co-Chair; Representatives Jim Gooch Jr, Co-Chair, and Thomas M. McKee, Co-Chair; Senators Ernie Harris, Robert J. (Bob) Leeper, Joey Pendleton, Dorsey Ridley, Richie Sanders Jr, and Damon Thayer; Representatives Royce W. Adams, Adrian K. Arnold, James E. Bruce, Dwight D. Butler, Mike Cherry, Hubert Collins, James R. Comer Jr, W. Milward Dedman Jr, Mike Denham, C. B. Embry Jr, W. Keith Hall, Jimmy Higdon, Charlie Hoffman, Brad Montell, Fred Nesler, Don R. Pasley, Marie L. Rader, Brandon D. Smith, Tommy Turner, Ken Upchurch, Robin L. Webb, and Susan Westrom.

Guests: Thomas J. Schifano, Chairman, Kentucky State Fair Board; Harold Workman, President and CEO, Kentucky State Fair Board, and members of the Kentucky State Fair Board; and Harvey Mitchell, Agricultural Heritage Center, Harrodsburg, Kentucky.

LRC Staff: Tanya Monsanto, Committee Staff Administrator, Biff Baker, Susan Spoonamore and Katie Carney, Committee Assistants.

Sen. Jensen thanked those present for attending the state fair meeting which he stated is an opportunity to showcase Kentucky agriculture. Then, Sen. Jensen asked for a motion to approve the minutes of the July 12, 2006 meeting. The minutes were approved, without objection, upon voice vote, on motion made by Rep. Nesler and seconded by Rep. Rader.

Then, Rep. Clark thanked the members of the committee for holding the meeting at the Kentucky State Fair in conjunction with the meeting of the Kentucky State Fair Board. Then, Sen. Jensen turned the meeting over to the chair of the Kentucky State Fair Board, Mr. Schifano.

Mr. Schifano asked that the board members introduce themselves and make some remarks. Then he introduced Mr. Harold Workman, executive director of the State Fair Board, to update the committee on the activities of the board, and the renovations and expansions on the fairgrounds including a plan for the construction of a new hotel. Mr. Workman stated that the fairgrounds property continues to be renovated and improved to keep pace with the public demands for Class A space. Kentucky has one of the

best fairgrounds in the United States.

Then, Sen. Jensen recognized Rep. McKee for a motion on a resolution honoring Mr. Jack Crowner for his service to agriculture. After a motion and a second, the resolution was adopted by voice vote. Then, Mr. Crowner talked about his years as an announcer and his role in agriculture. He thanked the committee for the resolution.

Then, Sen. Jensen recognized Mr. Harvey Mitchell for a report on the site selection for the Agricultural Heritage Museum. He said that the site in Mercer County was first announced at the ham breakfast. For several years, a group has tried to establish an agricultural museum, and a feasibility study was prepared a couple of years ago by the Legislative Research Commission. Kentucky has a rich agricultural history, and this museum is able to convey Kentucky's rural heritage and hopefully advance Kentucky agriculture.

Then, Mr. Mitchell discussed the work plan for the site selection committee, the current commitments made for finance and land, and the need for a new feasibility study based specifically on those commitments and the Mercer county site. The site selection committee estimated that the Agricultural Heritage Museum will cost between \$24 to \$36 million dollars. Then, Mr. Mitchell asked if there were any questions.

Rep. Dedman thanked the site selection committee for their work. Then Mr. Drew Graham was recognized by Sen. Jensen to give information to the committee regarding the September 13th meeting at the University of Kentucky.

Then, Sen. Jensen asked for a motion to adjourn. After a motion and a second, the committee adjourned.

Interim Joint Committee on Agriculture and Natural Resources

Minutes of the 3rd Meeting of the 2006 Interim September 13, 2006

The 3rd meeting of the Interim Joint Committee on Agriculture and Natural Resources was held on Wednesday, September 13, 2006, at 9:00 AM, at the University of Kentucky E.S. Goodbarn. Representative Thomas M McKee, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Tom Jensen, Co-Chair; Representatives Jim Gooch Jr, Co-Chair, and Thomas M McKee, Co-Chair; Senators Ernie Harris, Robert J (Bob) Leeper, Vernie McGaha, Joey Pendleton, Ernesto Scorsone, and Damon Thayer; Representatives Royce W Adams, Adrian K Arnold, James E Bruce, Dwight D Butler, Mike Cherry, James R Comer Jr, Tim Couch, Mike Denham, Reginald K Meeks, Brad Montell, Fred Nesler, Don R Pasley, Marie L

Rader, Steven Rudy, Brandon D Smith, Jim Stewart III, Tommy Turner, Ken Upchurch, Robin L Webb, and Susan Westrom.

Legislative Guests: Representative Rocky Adkins and Senator Alice Forgy Kerr.

Guests: President Lee Todd, University of Kentucky; Dean Scott Smith, UK College of Agriculture; Molly Turner; Michael Judge, Kentucky Department of Agriculture; Marshall Coyle, Laura Knoth, Brian Alvey, and Jeff Harper, Kentucky Farm Bureau; Drew Graham and Nancy Cox, University of Kentucky.

LRC Staff: Tanya Monsanto, Biff Baker, Hank Marks, Lowell Atchley, and Kelly Blevins.

Rep. McKee thanked the members for their attendance at the third meeting of the Interim Joint Committee on Agriculture and Natural Resources. This meeting is being held in conjunction with the University of Kentucky's (UK) Agricultural Round-up which is co-sponsored by the Kentucky Farm Bureau (KFB).

Then, Rep. McKee asked the members to stand and participate in a moment of silence in remembrance of Dr. Larry Turner and all of the victims of the crash of Comair flight 5191. Afterwards, Rep. McKee asked that Ms. Molly Turner, daughter of Dr. Larry Turner, be escorted to the table in front of the committee for the reason of receiving a memorial resolution in remembrance of Dr. Turner. Ms. Turner thanked the committee and accepted the resolution.

Then, Rep. McKee asked President Lee Todd and UK Dean of Agriculture, Dr. Scott Smith to present some remarks to the committee concerning the University of Kentucky. Dr. Smith stated that the UK county extension program has been a very important facet of the UK's delivery of service to farmers. He also talked about the importance of partnering with Kentucky Farm Bureau.

President Todd thanked the committee for the memorial resolution and for the financial support of the extension enhancement program and the diagnostic lab. He stated that those are key elements in becoming a top 20 university. In the last budget cycle, the legislature asked the university to implement certain changes and the university has been involved in building a business plan.

There have been dramatic results, President Todd stated. The university has moved up 5 slots nationally, and the college of medicine and the cancer institute have improved their ranking too. Academic research in the area of agriculture has been very strong, and the university anticipates creating 84 new jobs. The biotechnology program is one of the best in the nation. We are in process of moving traditional agriculture into the future.

Rep. McKee recognized several legislators for the purpose of introducing guests in attendance. Then, Rep. McKee invited Mr. Marshall Coyle, president of KFB to offer some remarks. Mr. Coyle thanked the committee for attending the

Agricultural Round-up and for the memorial resolution. He talked about the policy development process at KFB which will culminate in December. This should give enough time for KFB to prepare a legislative agenda. Then, Mr. Colye mentioned some of the policies that were very important to KFB. First, the continuation of investing 50% of the Master Settlement Agreement (MSA) funds into agriculture. Second, helping to improve production practices and to be better stewards of the land and water. Third, supporting UK's research agenda is important because farmers benefit. Fourth, supporting renewable fuels such as ethanol and biodiesel.

Rep. McKee called for a motion to approve the minutes from the August meeting. After a motion and a second, the minutes were approved. Rep. McKee asked Mr. Mike Judge, Kentucky Department of Agriculture, to give an update on the Raw Milk Task Force.

Mr. Judge explained that the task force was established pursuant to House Concurrent Resolution (HCR) 209 which examined the sale of non-pasturized milk and milk products directly to the public. It is an important issue and the task force held 3 meetings. Then Mr. Judge described the membership of the task force. He stated that the advocates of selling unpasturized milk products claim that there are some health benefits and that it is a freedom of choice issue. Opponents claim that the sale of unpasturized milk and milk products is risky. All other states that allow for the sale of unpasturized milk products have higher incidences of sickness.

According to Mr. Judge, the proponents seek a series of policy changes. First, they desire regulatory relief for small scale producers. Second, they would like to sell unpasturized milk and milk products directly to consumers both from the farm and through retail outlets. Third, they seek a legal definition of animal share contracts. The proponents argue that testing and inspection of the animals and facilities is sufficient to ensure public health and that sales of raw goat milk directly to the public currently is permitted with a prescription from a doctor.

Mr. Judge added that there was no agreement obtained between the proponents and the opponents regarding sale of unpasturized milk products to the public. The Office of the State Veterinarian also contends that the testing regime demanded by the sale of raw products is too difficult to set up. There is no agreement on who will be responsible for the testing, who will fund the testing, and what pathogens should be tested for. However, the task force did agree that the regulations on small producers could be reduced.

The "animal share" issue will likely become more important in the future. Currently the statutes are silent on the issue and there may need to be some legislative action to include labeling and warning in the animal share contract. Rep. McKee thanked Mr. Judge for his testimony and asked the members to hold their comments and questions.

Then, Rep. McKee asked Mr. Drew Graham to provide the members with

information about the tours and luncheon following the committee meeting. There was a motion and second and the committee adjourned.

Interim Joint Committee on Appropriations and Revenue Minutes of the 2nd Meeting of the 2006 Interim August 28, 2006

The 2nd meeting of the Interim Joint Committee on Appropriations and Revenue was held on Monday, August 28, 2006, at 1:00 PM, in Room 154 of the Capitol Annex. Senator Charlie Borders, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Charlie Borders, Co-Chair; Representative Harry Moberly Jr, Co-Chair; Senators David E Boswell, Tom Buford, Carroll Gibson, Denise Harper Angel, Dan Kelly, Alice Forgy Kerr, Robert J (Bob) Leeper, Vernie McGaha, R J Palmer II, Tim Shaughnessy, Gary Tapp, Elizabeth Tori, Johnny Ray Turner, and Jack Westwood; Representatives Royce W Adams, John A Arnold Jr, Joe Barrows, Scott W Brinkman, Dwight D Butler, James R Comer Jr, Jesse Crenshaw, Bob M DeWeese, Jon Draud, Danny R Ford, Jimmie Lee, Mary Lou Marzian, Lonnie Napier, Fred Nesler, Stephen R Nunn, Don R Pasley, Marie L Rader, Charles L Siler, Arnold Simpson, John Will Stacy, Tommy Turner, John Vincent, Robin L Webb, and Rob Wilkey.

Guests: Deputy Commissioner Colleen Chaney, Governor's Office for Local Development and Secretary Gene Strong, Cabinet for Economic Development.

LRC Staff: Pam Thomas, Charlotte Quarles, John Scott and Sheri Mahan.

Senator Borders welcomed the members. Senator Boswell introduced Mr. Roy Sallins of the University of Kentucky Louis Nunn History Center. The members welcomed Mr. Sallins.

Deputy Commissioner Colleen Chaney of the Governor's Office for Local Development (GOLD) discussed single county coal severance projects. She explained the single county coal severance program and discussed the process by which money is allocated to participating counties. She briefly discussed the Local Government Economic Development Fund (LGEDF) program, outlining how the money is dispersed. She stated that with the governor's vetoes of the coal severance line item project the money set aside for these projects in the budget reverted back to the LGEDF grant program. She discussed the grant application process, stating that currently communities can apply for the money in their accounts. By law, only fiscal courts may file an application for a grant by filing a letter of intent to GOLD. The letter of intent is reviewed to make sure it meets all statutory requirements, and if the proposed project is approved by GOLD the fiscal court submits a full application for the project. The Intergovernmental Coordination Group (ICG) reviews the full application and submits comments to the Commissioner. The Commissioner then makes the determination on rewarding those funds. The process is currently being amended to eliminate the letter of intent and full application projects. This will be

replaced by a project scope and work report which describes the project, estimates costs and includes a resolution from the fiscal court.

Senator Borders asked if it is GOLD's policy to fund projects that were included in the budget if all the necessary paperwork is completed by the fiscal court. Deputy Commissioner Chaney replied that most of the line items were for operating costs which is an ineligible expense by statute. Not all line items that are applied for will necessarily be approved. But, as long as the application meets the criteria set out in statute, then the project will be approved. About twenty applications for budget line item projects have been submitted to GOLD and as long as they have met the criteria they have been approved.

Representative Moberly asked if GOLD is intending to fund all vetoed line item projects if they meet the appropriate criteria. Deputy Commissioner Chaney replied that the pattern has been that the ICG has recommended funding line item projects. Representative Moberly asked if local legislators are consulted regarding the line item projects. Commissioner Chaney answered that GOLD encourages legislative comments regarding these projects, but input is considered on a case by case basis. GOLD does not actively seek out legislative input on applications in their district, but they do welcome input if legislators provide it.

Representative Arnold referred to the listing of LGEDF grants provided to the members and asked what the designation "modified" meant. Deputy Commissioner Chaney replied that "modified" means that the fiscal court had modified the full application.

Representative Webb asked if in coal severance counties GOLD or any other group solicited projects to compete for funds with the vetoed line item projects. Deputy Commissioner Chaney replied no. Representative Webb asked if GOLD or any other agency has tried to convince entities to modify or exclude projects that were line itemed by the General Assembly. Deputy Commissioner Chaney replied no. Representative Webb asked if there are projects competing with the projects line itemed by the General Assembly for the same pool of funds. Deputy Commissioner Chaney responded that any project that might come to the attention of the fiscal court could compete with the line item vetoed projects. She then stated, with further clarification from Representative Webb, that yes the agency and administration has suggested projects that would be competing with vetoed line item projects. Deputy Commissioner Chaney stated that the office is following statutory language and established procedures.

Senator Boswell moved that the minutes from the previous meeting be approved. The motion was seconded by Representative Pasley. Motion carried by voice vote.

Next, Secretary Gene Strong of the Cabinet for Economic Development discussed Kentucky's economic development incentive programs. He provided a general overview of the tax incentive programs, economic development bond program, KEDFA direct

and small loans program, economic impacts, and limitations on disclosure.

First, Secretary Strong discussed Kentucky's tax incentive programs. These are tax credit programs, with the three major programs being the Kentucky Industrial Development Act (KIDA), the Kentucky Rural Economic Development Act (KREDA), and the Kentucky Jobs Development Act (KJDA). He also discussed the Kentucky Economic Development Finance Authority (KEDFA), which is a board that approves incentive from the state. Secretary Strong then provided an outline of the tax incentive programs application process, project monitoring, and information submissions by companies receiving incentives. Secretary Strong provided data regarding jobs created through tax incentive programs. He stated that as of December 31, 2005, 1,062 projects have been approved which as created 125,943 verifiable jobs, which represents 99.1% of the created jobs promised by the approved companies. 85% of all companies ever approved by any tax incentive program are currently still in operation. He also provided information regarding how much the tax incentives have cost in tax revenue.

Representative Wilkey asked if there has been a cost/benefit analysis on a per job basis for the program and which programs are the most efficient. Secretary Strong replied that they do not have data on a per company basis. The cabinet does have information regarding pay range levels for the created jobs. The cabinet will provide the members information that they have access to regarding cost/benefits of the programs.

Senator Kelly asked if the 12% - 13% collection of credits taken is average for most companies. Secretary Strong stated that figure is relatively consistent. Senator Kelly then asked if the efforts to close loopholes on multistate companies has changed any company behavior and it is expected for companies to leave the state. Secretary Strong responded that he believes it will increase tax revenues for the state, but to date he has not seen a significant increase in companies leaving Kentucky. Senator Kelly asked if the changes in corporate tax law will effect the percentage of tax credits being utilized. Secretary Strong replied he does not believe the number of tax credits being used will change significantly.

Representative Moberly asked if the cabinet has information on the tax credits taken on a year to year basis. Secretary Strong answered that the cabinet receives a quarterly update from the Department of Revenue. Representative Moberly stated that he would like to receive the number of credits taken on a year to year basis to better assess the lost revenue to the General Fund. Representative Moberly asked if the Cabinet analyzes whether companies receiving tax credits would have produced the same jobs without the tax credits from the state. Secretary Strong replied that he believes that without the tax credit incentives Kentucky would lose company site selection to other states.

Next, Secretary Strong provided an overview of the Economic Development Bond program. He explained that this program provides economic development

bonds through communities, then the community grants those monies to a company. He provided an outline of the program application process, project monitoring, and information submissions regarding the bond program. He discussed the total amount of bond grants approved which is \$492 million. He stated that of this \$492 million over \$300 million was dispersed to state owned facilities. He discussed the monitoring process of the bond grant funds.

Secretary Strong next gave an overview of the KEDFA direct and small loans program. He stated as of December 31, 2005 there were \$39.7 million in outstanding loans, with only 0.7% in past due status. Of this total, \$29 million have been loans to industrial authorities, and the average loan size is approximately \$692,912. He discussed the loan program's historical performance, stating the loan losses as a percentage of gross loans is 2.51%.

Secretary Strong provided the committee with an economic impact estimate based on the KEOZ, KIDA, KIRA, KJDA and KREDA programs. The analysis was based on the 12 months of 2005 showing jobs originated from incentive programs and took into account several factors. Secretary Strong stated that the direct employment from these programs of 125,943, indirect employment of 103,700, and induced employment of 137,000 for a total of 336,643 jobs. The total value added from these jobs is \$24.5 billion. The total employee compensation was \$16.6 billion. The average annual salary and benefits from these created jobs was \$45,600 for 2005.

Senator Kelly asked about the total number of jobs in Kentucky. Secretary Strong replied that the total workforce to date is approximately 2 million. Senator Kelly stated that the 336,643 jobs created is a significant figure.

Secretary Strong discussed the upcoming tax incentive study to be conducted by the University of Kentucky's Center of Business and Economic Research. The study is currently being conducted to analyze the effectiveness and economic impact of incentive programs. The report should be completed by December 2006.

Representative Moberly asked if Secretary Strong feels that there is sufficient statutory authority for the cabinet to supply confidential information to LRC staff regarding companies which receive tax incentives: for example who the company is, what the tax incentives were, the amount of incentives utilized. Secretary Strong replied that the cabinet believes all information shared with the committee during this meeting is available to all General Assembly members. Also, the General Assembly has the statutory ability through the Program Review and Investigations committee to access any document in the cabinet's possession. Information that is proprietary to certain companies is not available. Financial and tax information is given to the cabinet by the Department of Revenue in the aggregate. The cabinet does not possess company specific tax information.

Representative Moberly discussed the information provided to the public by other states, such as the names of

companies receiving tax incentives, the total incentives granted, and the total incentives taken by company and by program. North Carolina, Texas and Ohio all provide this information in a public access format. All of these states are ranked in the top 10 as business friendly states. Representative Moberly asked why it is the policy in Kentucky to be so restrictive with this same type of information in order to secure the kind of economic development the state desires. Holland Spade, cabinet staff attorney, replied that companies request confidentiality agreement. The cabinet reaffirms to the company the statutory exemption under the open records law for proprietary company information.

Representative Moberly discussed the possibility of allowing LRC staff access to Department of Revenue and Economic Development Cabinet data regarding tax incentive programs and company data for those companies receiving incentives. He discussed the importance of this data and analysis of this data to policy making by the General Assembly.

Secretary Strong stated that it is the cabinet's position to do what is believed to be in the best interest of Kentucky.

Being no further business, the meeting was adjourned at 3:05 p.m. A tape of this meeting and all meeting materials are available in the Legislative Research Commission library.

Interim Joint Committee on Appropriations and Revenue Budget Review Subcommittee on Economic Development and Tourism, Natural Resources and Environmental Protection Minutes of the 2nd Meeting of the 2006 Interim August 28, 2006

The 2nd meeting of the Budget Review Subcommittee on Economic Development and Tourism, Natural Resources and Environmental Protection of the Interim Joint Committee on Appropriations and Revenue was held on Monday, August 28, 2006, at 10:00 AM, in Room 169 of the Capitol Annex. Representative John Arnold, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative John Arnold, Co-Chair; Senators Charlie Borders and Alice Forgy Kerr; Representatives Jim Gooch, Charlie Hoffman, Dennis Keene, Lonnie Napier, Ruth Ann Palumbo, John Vincent, and Susan Westrom.

Guests: Talina Matthews, Executive Director, Office of Energy Policy; John Davies, Director, Division of Renewable Energy and Energy Efficiency; and Bill Bowker, Director, Division of Fossil Fuels and Utility Services; Commerce Cabinet. Kent Whitworth, Executive Director; Linda Redmon, Director of Finance; and Alice Rogers; Kentucky Historical Society, Commerce Cabinet.

LRC Staff: Kevin Mason, Jack McNear, Jeffery Hancock, Janie Miller, Tom Willis, and Spring Emerson.

Chairman Arnold welcomed Talina Matthews, John Davies, and Bill Bowker. Ms. Matthews gave a brief presentation outlining the mission and daily operations of the Kentucky Office of Energy Policy.

Representative Gooch expressed his support of the use of renewable sources of energy and stated that Kentucky needs to decrease dependence on petroleum, adding that coal liquids should be considered a portion of renewable resources. Ms. Matthews agreed, stating that the Division of Fossil Fuels and Utility Services is focusing on the development of market opportunities for coal and chemicals from coal, among other resources. Chairman Arnold asked where it is produced. Ms. Matthews replied that the plant is still in the planning stages and does not exist at this time.

Representative Keene inquired about the \$600,000 in Kentucky Economic Development Finance Authority (KEDFA) funds for Applied Energy Research. Ms. Matthews explained that the funds have not yet been awarded and a Request for Proposal (RFP) is forthcoming. Representative Keene asked for an example of applicants. Ms. Matthews replied that one of the questions on the RFP would be for the applicant to explain how the KEDFA funds will help them to reach commercialization. Mr. Bowker added that four entities are being considered.

Chairman Arnold stated that the quest for alternative fuels is at a fever pitch and now is an opportune time for the state to investigate the use of alternative fuels.

Mr. Davies commented that the Division of Renewable Energy and Energy Efficiency works very hard to increase energy efficiency in all sectors of Kentucky's economy, also promoting renewable energy where it is cost effective.

Representative Gooch stated that a lot of people don't realize where their energy comes from and it is important to educate the public about it, as well as things they can do to make the environment cleaner. He went on to say that funding incentives need to be considered rather than using coal severance money. He expressed his appreciation for the work being done, stating that it is of cabinet-level importance.

Representative Hoffman commented that the Office of Energy Policy will be a huge point of discussion in upcoming years and these issues are in the forefront for all fifty states.

Chairman Arnold welcomed Kent Whitworth and Linda Redmon of the Kentucky Historical Society (KHS). Mr. Whitworth gave a brief presentation outlining the activities of the KHS.

Chairman Arnold inquired about personnel expenditures. Mr. Whitworth replied there are 74 full-time, 13 part-time, and 2.5 time-limited federally funded employees. Chairman Arnold asked why there are so many. Mr. Whitworth answered that the KHS operates three different properties, and have 40 different educational outreach programs that service the entire state, as well as responsibility for more than 500,000 artifacts that require special care, cataloging and conservation, which is fairly labor-intensive.

Chairman Arnold asked for a motion to adopt the minutes of the July 27, 2006 meeting. A motion was made, seconded and the minutes were approved unanimously.

Representative Palumbo asked if the

Filson Group still exists. Mr. Whitworth replied that the Filson Historical Society still exists, but no longer produces the scholarly journal on Kentucky history. He went on to say that the Register published by the KHS four times per year is the only scholarly journal devoted to new Kentucky history, and he feels very strongly that producing the journal is at the core of what the KHS needs to be doing. Representative Palumbo stated that she believes this information is very important to Kentucky's students, and should be placed in all the schools. Mr. Whitworth continued by saying that new target audiences have been developed in the past year and a half, indicating that the high priority target audiences are teachers and students.

Representative Palumbo requested an explanation of what age levels are included in the clubs. Mr. Whitworth replied that there are approximately 1,400 Kentucky Junior Historical Society (KJHS) members right now, and they are from grades K through 12. He explained that a teacher can sponsor a KJHS chapter at his or her school, and it culminates each spring with a major convention in Frankfort. Last year approximately 600 students from all over the commonwealth attended for two days. It includes a History Bowl quiz show, exhibits, theatrical presentations, and high-tech presentations on Kentucky history, among other things.

Representative Palumbo asked if there are clubs in Fayette County. Mr. Whitworth replied that there is not a strong contingency in Fayette County, adding that there is a strong base in the more rural communities, with urban centers shying away from it.

Senator Borders commented that Kentucky has a great tradition, and it is critical to remember the past. He inquired about the progress of valuable old document storage. Mr. Whitworth replied that everything is now being housed in the History Center. He added that they are in the final stages of replacing the roof at the History Center, which will provide the necessary climate control. To illustrate the progress of the KHS, Mr. Whitworth stated that in August 2005, it was awarded accreditation by the American Association of Museums, and is only the fifth museum in Kentucky to receive that designation, and only about 750 nationwide.

Representative Hoffman asked how the KHS would be involved in the newly announced Agricultural Museum. Mr. Whitworth replied that the KHS has served as a resource throughout the planning of the Agricultural Museum.

Representative Westrom inquired about the artifact on the presentation table. Mr. Whitworth explained that they are raising money to go into an endowment that will continue to help pay for multi-media tools, temporary exhibits, outreach programs, etc. He continued by saying that \$5 million of the ten million dollar goal has been raised thus far. He went on to explain the artifact on the desk is a souvenir cabin that he purchased when he was a small child on a trip to Hodgenville to see the Lincoln birthplace, and went on to say that it represents the kind of heartfelt connections to Lincoln the KHS is trying to rekindle in Kentucky and then

to folks across the country. He stated that in an effort to reclaim Lincoln as a Kentuckian, a state memorial will be built on the Louisville Waterfront by 2009.

Chairman Arnold thanked the guests for appearing before the committee. There being no further business, the meeting was adjourned at 10:55 A.M.

Interim Joint Committee on Banking and Insurance Minutes of the 3rd Meeting of the 2006 Interim September 11, 2006

The 3rd meeting of the Interim Joint Committee on Banking and Insurance was held on Monday, September 11, 2006, at 3:00 PM, at the Galt House in the Carroll-Ford Room, Louisville, Ky. Senator Tom Buford, Co-Chair, and Representative James Bruce, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Tom Buford, Co-Chair; Representative James E Bruce, Co-Chair; Senators Julie Denton, Ernie Harris, Dorsey Ridley, Richard "Dick" Roeding, and Dan Seum; Representatives Sheldon E Baugh, James R Comer Jr, Ron Crimm, Robert R Damron, Mike Denham, Jim Gooch Jr, J R Gray, Mike Harmon, Dennis Keene, Rick W Rand, Frank Rasche, Steve Riggs, Brandon D Smith, Tommy Thompson, Ron Weston, Susan Westrom, and Rob Wilkey.

Guests: Cordell Lawrence, Executive Director, Office of Financial Institutions, David Coyle, Office of Financial Institutions, Ballard Cassady, President and CEO, Kentucky Bankers Association and John Cooper, Government Affairs Consultant, Kentucky Bankers Association.

LRC Staff: Greg Freedman, Rhonda Franklin, and Jamie Griffin.

The minutes of the August 22, 2006, meeting were approved.

Cordell Lawrence, Executive Director, Office of Financial Institutions ("office"), addressed the committee regarding the number of retiring bank examiners and how the Office of Financial Institutions will maintain a sufficient number of experienced bank examiners and the assessment schedule for bank examinations. Mr. Lawrence stated that the Office of Financial Institutions, along with every other agency, has been analyzing the potential retirement issue and has reached the following preliminary conclusions: Financial Examiners I, II, III, IV and Specialists are not particularly susceptible to the glut of retirements in 2008; Certified Financial Institutions Examiners grade 16 and 17 positions are most vulnerable; There is sufficient staff in the lower grade positions to backfill Certified Financial Institutions Examiners, with increased emphasis on training and the office hopes to supplement the workforce with former Federal FDIC Examiners when possible. He stated that they face the problem of competition for examiners due to higher salaries available in the federal government and the banking industry. He stated that the following options are being considered to address these issues: Increase salaries by 6.67% by implementing a 40 hour work week; additional salary increases through either

the legislative process or through the Personnel Cabinet, to increase entry level salaries for each grade to 80% of comparable federal grades with a cap equal to 90% of federal maximum for each grade; accelerate recruiting efforts from among the ranks of retired FDIC, Federal Reserve, OCC examiners and college graduates; increase the training provided by senior examiners through on the job training to accelerate the learning curve for junior examiners. Mr. Lawrence gave the committee a copy of the current assessment fee schedule for banks. He stated that based on the asset sizes of the banks at December 31, 2005, total assessments collected were \$1,684,323.00, this amount compares to the \$10,092,785.00, that they would have paid had they been chartered by the OCC. He stated that Kentucky chartered banks paid only 16.69% of what they would have paid as National banks.

Mr. Lawrence also addressed the oversight of the Office of Financial Institutions by the Environmental Protection Cabinet under the current organizational structure of the Cabinet.

Representative James Bruce made the motion to draft a resolution urging the Governor to change the title heads of the Office of Insurance and the Office of Financial Institutions from Executive Director to Commissioner. Second made by Representative J.R. Gray. Motion adopted.

Representative Sheldon Baugh asked if there was an age limit for bank examiner positions and asked what the entry level salary was for state and federal examiners.

Mr. Lawrence stated there was no age limit and the entry level for state examiners is approximately \$26,500 and for federal examiners it is approximately \$40,000.

Senator Tom Buford stated that the Office brings in more money in fees than it generally uses which is forwarded to the Revenue Cabinet and the Office could use a portion of that revenue to raise salaries for examiners.

Mr. Lawrence stated that a surplus of \$2 million dollars was returned to the general fund in the 2005 fiscal year and they estimate a surplus of \$6 million dollars for 2006 fiscal year.

Ballard Cassady, President and CEO, Kentucky Bankers Association and John Cooper, Government Affairs Consultant, welcomed the committee to the annual convention and stated that the association adopted a resolution honoring Representative James E. Bruce for 42 years in the House of Representatives. Mr. Cassady stated that Representative Bruce has been a wonderful friend to Kentucky's banking industry and will be sorely missed. He stated that beginning this year at the closing ceremony of the Kentucky Bankers' Convention the James E. Bruce Award will be presented to an individual or firm in recognition of outstanding government relations efforts and dedication to the banking industry.

Senator Tom Buford stated that it has been a pleasure working with Representative Bruce and that he is a great inspiration to other legislators.

The meeting adjourned at 4:00 p.m.

Interim Joint Committee on Economic Development and Tourism

Minutes of the 1st Meeting of the 2006 Interim August 25, 2006

The 1st meeting of the Interim Joint Committee on Economic Development and Tourism was held on Friday, August 25, 2006, at 1:00 PM, in Room 154 of the Capitol Annex. Representative Eddie Ballard, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Eddie Ballard, Co-Chair; Senators Julian M Carroll, Julie Denton, Brett Guthrie, Denise Harper Angel, Ray S Jones II, Katie Stine, and Ken Winters; Representatives Royce W Adams, Carolyn Belcher, Joe Bowen, Denver Butler, James Carr, Larry Clark, Tim Couch, Jesse Crenshaw, Jim DeCesare, Mike Denham, Bob M DeWeese, Ted "Teddy" Edmonds, Jim Gooch Jr, W Keith Hall, Mike Harmon, Mary Harper, Melvin B Henley, Dennis Horlander, Dennis Keene, Thomas Kerr, Stan Lee, Gerry Lynn, Thomas M McKee, Brad Montell, Fred Nesler, David Osborne, Ruth Ann Palumbo, Ancel Smith, Brandon D Smith, John Will Stacy, and Ron Weston.

Guests: Greg Harkenrider, Senior Economist, Governor's Office for Policy and Research, Office of the State Budget Director; Debbie King and Mark Wheeler, Chair, Board of Trustees, Louisville Zoo Foundation; and John Walczak, Executive Director, Louisville Zoo.

LRC Staff: John Buckner, Committee Staff Administrator; Karen Armstrong-Cummings and Louis Pierce, Legislative Analysts; and Dawn Johnson, Committee Assistant.

Chairman Ballard announced that the next committee meeting would be in Owensboro, Friday, September 22, pending LRC approval.

Chairman Ballard introduced Mr. Greg Harkenrider, senior economist with the Governor's Office for Policy Research, Office of the State Budget Director. Mr. Harkenrider gave an overview of tax increment financing (TIF). Mr. Harkenrider said TIF is consistent with the economic development strategy of the Commonwealth, which are performance-based incentive-type plans. He said that TIF is similar to the Cabinet's other tax incentive programs, which give a company the opportunity to get a portion of their taxes refunded if they meet certain performance requirements. Previously, grant-type programs were used. He said those programs were risky because if a project fell through, the money was spent before there was any performance. Performance-based programs are self-policing—if the development does not meet financial projections, then tax refunds do not materialize.

Mr. Harkenrider said that the state's TIF terms are consistent with other states. He explained that old revenues in a TIF program are the amount of money coming into Frankfort or local governments that existed before there is a TIF project. New revenues are the taxes that come in after a project is approved and the tax receipts start to come into Frankfort. "Baseline revenues" represent old revenues projected into the future. TIF deals are

typically 20 years long. He said the most important part of tax increment financing is the "increment," new revenues coming in minus the baseline. This is the increment that goes back to the development. In Kentucky they receive 50 to 80 percent of the increment and up to 100 percent for property tax only.

Mr. Harkenrider said some of the TIF laws have "approved costs" that are approved by the Tourism Development Finance Authority or the Kentucky Economic Development Finance Authority Board. The funding mechanism is taxes that will be rebated to the project.

Referring to the Churchill Downs TIF project, Mr. Harkenrider said "old revenues" are sales and income taxes collected before a grant agreement was entered into. The specific law that Churchill Downs used allowed the Revenue Cabinet to use a three-year average of old revenues. He explained that baseline revenues are a projection based on the three-year average. "New revenues" are calculated when the agreement is activated and, is the actual money that flows into Frankfort. This is compared to the baseline and the increment is the difference between them. A percentage of this as set forth in the grant agreement can be returned to the developer.

Mr. Harkenrider said Kentucky's pilot TIFs were for cities of the first class, with the approving agency being the Office of the Governor. The remaining active pilot TIF is the Louisville Airport project. He said infrastructure TIFs are limited to ad valorem taxes for state participation. The approving agency is either the Commerce Cabinet or the Cabinet for Economic Development (CED). There are two project specific TIFs—Churchill Downs and the Marriott Convention Center in Louisville. He said project TIFs are approved through the CED or Commerce Cabinet. They have a wide array of funding mechanisms and are not restricted to cities of the first class.

Mr. Harkenrider explained the traditional arrangement of a TIF. He said typically there is a grant agreement which consists of three parties—the project developer, the Commonwealth, and a city or county development authority. The three parties enter into a grant agreement. Next, the city or county issues bonds which generate bond proceeds. The bond proceeds go through an agreement between the city and the project, and the money goes through a project so that it commence. All that is preactivation of the financial mechanisms as a TIF. Next, taxes within the TIF zone are paid into the Commonwealth or the city, depending on the grant agreement. Taxes paid to the Commonwealth, the incremental revenues, go to the city, and the city uses these to pay the debt service.

Mr. Harkenrider explained that a "local only" infrastructure TIF allows local governments to grant up to 100 percent of incremental local property tax, excluding school and special districts, from property located within the development area for up to 100 percent of infrastructure development costs. Each project can last up to 20 years. The projects require local government approval only with no oversight from the state. He said the development area must be at least 50 acres of undeveloped land, unless otherwise

approved by the economic development authority, or contain at least one acre of brownfield, and must be under an agency as defined by KRS 65.680.

Mr. Harkenrider said that a “local and state” TIF has the same requirements as the local only infrastructure TIF but the state portion must be approved by the Kentucky Economic Development Finance Authority or the Tourism Development Finance Authority. The state percentage of the TIF revenue is limited to the same percentage as local government contribution and is limited to property tax only. Mr. Harkenrider noted that Kentucky is a relatively low property tax state which limits the benefit going to the project.

Mr. Harkenrider explained that project TIFs such as Churchill Downs and the Marriott Convention Center have extra requirements due to state involvement. The requirements include the need for new economic activity to the Commonwealth, there must be at least \$10 million in capital investment, it must create 25 new jobs within the first two years, 25 percent of project revenues have to be attributable to sources outside the Commonwealth, there must be a unique contribution to the economic vitality of the state, and the project must not be primarily devoted to retail sales of goods.

Mr. Harkenrider said 49 states have TIF laws but there is a great disparity among them. He said some states only have property tax TIFs, some have sales tax TIFs and some have income tax TIFs. Mr. Harkenrider said that Kentucky is a relative new-comer to TIFs compared to other states but it now has some of the broadest funding mechanisms, the most permissive eligibility requirements, and it allows projects outside of blighted areas.

Mr. Harkenrider said there are many administrative hurdles with TIFs because of statutory requirements. He said sales and income taxes are more complicated because many sales tax payers file a combined return which makes it difficult to single out a specific project. All vendors within a TIF must submit disaggregated documentation to the project. He said renovation projects are more difficult because baseline revenues are not easy to project and the counterfactual is unclear—would the development of property within the TIF take place in the absence of a TIF arrangements.

Mr. Harkenrider said the obligation is on the TIF applicant and not on the state to ensure the paperwork is done. The applicant has to collect all the information from in the proposed zone then submit it to the Revenue Cabinet. The two complicating issues are ensuring that all companies file a separate return and certifying the baseline, which is a complicated task. He said local agencies must provide approved local ordinances establishing the development area the percentage of local TIF involvement, historical tax information, and project projections. The information is then submitted to the Cabinet for Economic Development or the Commerce Cabinet.

Representative Clark said the arena project consisted of four stacked TIFs, which was probably not the intent the statute and should be studied. He also expressed concern about the state paying more for undervalued property and

suggested the six-mile TIF be limited to ensure that one developer does not have an advantage over others.

Representative Montell asked if a lag existed between bond issuance time and payments due, and the increment revenue flow. Mr. Harkenrider said projects have up to three years to be activated. He said bond issues can be structured differently. They can backload the payment of principle and interest and debt can be structured to minimize payments in the early years.

Representative Denham asked if it was possible to have an infrastructure TIF and a project-specific TIF on the same parcel of land. Mr. Harkenrider said the credit can only be given once. If there is a large infrastructure TIF, the ad valorem tax is already pledged.

Representative Denham asked if any rural area applications had been received or were they even aware of TIFs. Mr. Harkenrider said he is unaware of an infrastructure TIF in a rural area with state participation.

Senator Carroll asked if businesses in the six-mile radius of the Louisville Arena project had increased property taxes. Mr. Harkenrider said if the city participated, and they used the normal rate setting mechanism, the rates may not be increased but they would not decrease normally.

Representative Palumbo said that TIF legislation will be refined in the future.

Next, Ms. Debbie King, Louisville Zoo Foundation Board of Trustees, Mr. John Walczak, Executive Director of the Louisville Zoo, and Mr. Mark Wheeler, Chairman of the Foundation Board of Trustees, gave an update on the Zoo’s Glacier Run Project. She said the University of Louisville completed an economic impact study of the project and a study has been provided to committee members. Ms. King explained that the Zoo has an economic impact of approximately \$24 million annually, and that would increase to \$32.5 million with the completion of Glacier Run. She said since the kick-off of their capital campaign earlier this year, they have raised nearly \$8 million of the \$25 million necessary for completion. She thanked the General Assembly for appropriating \$6 million for Glacier Run in the 2006 session budget. She said although the previous appropriation was vetoed, in light of the state’s current budget surplus and the urgency of their schedule, they requested the committee’s support of a midterm budget adjustment to allow the Glacier Run Project to progress on schedule. She said this 5-acre addition to the Zoo will bring national and international attention to the Commonwealth. Ms. King said 100,000 school children and 650,000 adults visit the zoo annually.

Mr. Walczak gave an overview of the Glacier Run project. He said Glacier Run is modeled after a town in Churchill Canada where polar bears migrate through every year to get on the ice flows. He said the Louisville Zoo is known for its innovation. The last two major projects—the Islands Exhibit and Gorilla Forest—are the highest scoring exhibits in North America according to the American Zoo and Aquarium Association. Mr. Walczak said the classrooms in Glacier Run will seat approximately 60 students who will be next to the polar bears. The facility will

also accommodate 120-150 students and adult sleepovers to experience the exhibit. Mr. Walczak presented a fly-through of the project via DVD.

Mr. Wheeler said the Louisville Zoo is the state zoo. He said through “Zoo To You”, they are visiting students in every county in the state with some of the animals and staff. He said last year they visited 3,000 students through the program. He said that not only does the zoo provide an economic impact, it also has an important quality of life impact. He said the Glacier Run Project is a priority for the Zoo and the major component of their strategic initiative. On behalf of the board Mr. Wheeler asked for consideration of a midterm budget adjustment of \$6 million.

Senator Carroll noted that despite the Committee’s support of the project, budget restraints might make the Foundation’s request difficult.

Responding to Representative DeCesare’s question, Mr. Walczak said the estimated operation expense of Glacier Run is approximately \$450,000. He said the \$6 million is a one-time request.

There being no further business, the committee adjourned at 2:20 p.m.

Interim Joint Committee on Education Subcommittee on Postsecondary Education Minutes of the 2nd Meeting of the 2006 Interim September 11, 2006

The second meeting of the Subcommittee on Postsecondary Education of the Interim Joint Committee on Education was held on Monday, September 11, 2006, at 10:00 AM, in Room 171 of the Capitol Annex. Representative Mary Lou Marzian, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Mary Lou Marzian, Co-Chair; Senators Gary Tapp and Ken Winters; Representatives Jim DeCesare, C.B. Embry Jr., Bill Farmer, Mary Harper, Frank Rasche, Tom Riner, and Charles L. Siler.

Guests: Ms. Jamie Williams and Ms. Alicia Crouch, Kentucky Community and Technical College System; Ms. Anna Craft, Letcher County Board of Education; Mr. William Philips, Eastern Kentucky University; Ms. Jo Carole Ellis, Kentucky Higher Education Assistance Authority; and Ms. Cindy Heine, Prichard Committee.

LRC Staff: Jonathan Lowe, Audrey Carr, and Lisa Moore.

Representative Marzian introduced Dr. Lee Todd, University of Kentucky (UK), who made a Power Point presentation. He reminded the subcommittee that a major initiative that derived from House Bill 1 is for UK to become a major comprehensive research institution ranked among the top 20 public universities in the nation. He said states with top 20 universities have: higher median incomes; higher educational attainment; lower poverty rates; and fewer citizens on Medicaid.

Dr. Todd said total enrollment at UK increased ten percent in 2005-2006, and UK has enrolled the largest class in history for 2006-2007, although official numbers have not been released. He also said UK has set a record for the enrollment of

Hispanic and African-American students this year, making it the most diverse class in history.

Dr. Todd said the graduate rate has increased from 48 percent to 60 percent during the period of House Bill 1, while research awards have increased 135 percent from \$121.9 million to \$290.4 million. Endowments have increased 231 percent, moving from \$195.1 million to \$645.4 million, endowed chairs have increased 372 percent, and endowed professorships increased 404 percent.

Dr. Todd discussed UK’s business plan. He said UK needs to recruit 6,000 more undergraduates, and noted that this is well below the targeted number of 13,000 designated by the Council on Postsecondary Education (CPE). He said enrolling 6,000 more undergraduates is a lofty goal, but it can be accomplished if the university gets involved in K-12 education. He said it is much more important for UK to spend money persuading eighth graders to receive a postsecondary education than it is to spend money to convince students who are already going to college to attend UK.

Dr. Todd said modest increases have to made toward goals for graduate degrees by 2020, as well as postdoctoral appointments. He said 54 new faculty members will be hired at UK this year due to the increase in enrollments. The College of Medicine will be hiring 30 to 40 additional faculty out of their own budgets, not utilizing state money. He said national advertisements will be used to recruit 84 new faculty, and this indicates to potential new hires that UK is demonstrating growth among the professional ranks. The new faculty will be paid from the \$4.6 million the General Assembly appropriated to UK for 2006-2007, as well as the \$20.9 million appropriated for 2007-2008. He also said the construction has begun on the pharmacy building, and bond authorization was obtained for the UK hospital, due to the capital projects that the General Assembly approved.

Dr. Todd discussed research and outreach services provided by UK. He said \$290 million was spent on conducting research in 2005-2006, and there are 140 UK healthcare outreach clinics across Kentucky. He also said the UK is reaching out to communities across Kentucky by establishing 24 commonwealth collaboratives that will benefit the people of Kentucky.

Dr. Todd said UK’s mission is to implement the detailed, mission-driven, and accountability-based business plan. He believes the goal of becoming a top-20 research university is possible, and UK will contribute 40 percent of the cost of achieving top 20 status, while striving to enroll, retain, and graduate more Kentuckians.

Representative Marzian commended Dr. Todd on applying the intent of House Bill 1 in a practical manner throughout the state to engage its citizens, and said UK’s outreach services is outstanding. She asked how UK’s salaries compare to other universities in attracting and retaining quality staff.

Dr. Todd said one of UK’s commitments is to have a 5.5 salary increase each year for the next six years, in order to catch the median of the salaries

in the top 20 universities. He said they did 3.5 percent this year for faculty and staff, but another 1.5 percent will be added in January of 2007 to some targeted departments that have lagged for some time. He said he has received criticism for differentiating between salary increases for faculty and staff, but he feels it is necessary to invest in the faculty, which are the ones that will create more staff positions. He said there is a \$5 million allotment in next year's budget that will be used to enhance the staff positions, but UK is behind in salaries and it is extremely important to be competitive in this area. Representative Marzian agreed. Dr. Todd also said the "Bucks for Brains" funds and the endowment chairs have been very important for attraction and retention of quality faculty.

Representative Marzian introduced Dr. Tim Miller, Interim President, Murray State University (MSU) to make a presentation on MSU. He said the new MSU President, Dr. Dunn, would begin on December 1, 2006. He introduced Dr. Sandra Jordan, Associate Provost, to make the presentation on strategic planning. She said MSU has a strategic planning process, which is active and responsive, and has netted results. She said it is decision-focused, information-based, ongoing, and currently in the 2003-2008 cycle, broadly structured, and participatory, including participants from across the campus and consultation with external groups. The process emphasizes crafting a shared vision and establishing priorities for institutional action.

Dr. Jordan said the results of MSU's planning has resulted in numerous products. They are: 1) a revised mission statement; 2) the creation of a vision statement; 3) the creation of value statements; 4) the revision of student-learning outcomes, including the "Characteristics of the Murray State University Graduate"; and 5) the creation of specific goals and action steps to reach those goals.

Dr. Jordan said the institution's strategic goals are tracked by indicators of success based upon: national comparisons; benchmark institutional comparisons; state comparisons; accreditation guidelines; and the state agenda "2020" goals. The key indicators of success include: inputs such as enrollment, retention, and graduation data; as well as outputs such as outcomes assessment, students entering jobs, and the National Survey of Student Engagement.

Dr. Jordan discussed the alignment of MSU's strategic plan and the "2020" public agenda. Of the institution's thirty-two strategic goals, twenty-five align directly with the state agenda. Dr. Jordan discussed the five questions of the state agenda, and gave specific examples of how MSU's planning goals related directly to them. A detailed summary is in the handout located in the meeting folder in the Legislative Research Commission (LRC) library.

Dr. Jordan said the state average for the quality performance index for Kentucky's teacher preparation program in 2004-2005 was 3.5, with a 95 percent summary pass rate. She said MSU's average was 3.8 with a 100 percent summary pass

rate.

Dr. Jordan discussed MSU's graduation rate and the actual number of students who are receiving degrees. She said MSU has the second highest graduation rate in the state, and also has the second highest graduation rate of identified benchmark states. The average state graduation rate is 45 percent, and MSU's average graduation rate is 57 percent.

Dr. Jordan explained how MSU plans to meet their goals. She said MSU and West Kentucky Community and Technical College work together to increase the college going number and transfer articulation, including 2x2 programs and advising partnerships. MSU has nine articulation agreements with KCTCS in the areas of education, agriculture, business, food management, and health care. She said that MSU plans to increase its on-line degree program options and offer workplace certifications. Finally, MSU has many collaborative, joint and shared programs with institutions throughout the state. For example, MSU offers engineering programs with the University of Louisville and UK in Paducah, thus resulting an increased number of shared programs.

Dr. Jordan said MSU students are prepared for life and work upon graduation. The Council on Postsecondary Education (CPE) sponsored a state-wide survey of alumni satisfaction in 2001 and it indicated that MSU alumni were highly satisfied with the education they received and felt prepared for life and work. The MSU internal survey of alumni indicates that 75 percent found employment within six months of graduation.

Dr. Jordan said in addition to expanding the intellectual capital of the state and contributing to the quality of life in Kentucky, MSU has a positive economic impact on the region and the state, including: 1) \$240,242,810 in direct benefit from MSU to Kentucky's economy annually; 2) \$178,207,000 in direct benefit to the west Kentucky region annually; 3) an addition of 8,625 full-time jobs in Kentucky; and 4) \$549,122,657 in earning power of MSU graduates annually. She also discussed MSU's bachelor degree programs, and regional outreach and civic engagement efforts.

Dr. Jordan said MSU supports the "2020" goals, but recognizes that reaching the goals will be a challenge. Some challenges are: limited resources; demographics in the region; Fort Campbell deployment; and competition from for-profit educational outfits. She emphasized that the "2020" goals are important to the future of the Commonwealth.

Senator Winters asked for elaboration on the for-profit institutions not playing by the same rules. Dr. Gary Brockway, MSU Provost and Vice-President for Academic Affairs, said that some institutions offer programs in the area that do not have the quality in terms of faculty, the amount of exposure that students have to technology, library resources, and other measures that ensure a quality learning environment. Senator Winters asked for specific names. Dr. Miller said they are in the newspaper every week, but chose not to identify specific entities.

Representative Marzian congratulated the MSU faculty on their

success since the implementation of House Bill 1. She said since high school graduation rates remain flat, she asked if the increase in enrollments were attributed to non-traditional students. Dr. Jordan said yes, the increased enrollments were due to adult learners, using blended courses that are delivered on-line and require adult students to attend campus on a limited basis. She said these blended courses are important for the future because they are conducive to adults' schedules.

Representative Marzian asked if MSU non-traditional students affected the graduation rate. Dr. Jordan said it does have an impact on the graduation rate because it primarily takes adult learners longer to graduate since they enroll in only a few classes at a time, as well as affecting the retention rate.

Representative Siler said he was very pleased with the reports from the UK and MSU. He said they had made great strides at an accelerated pace, and he wanted to express his appreciation.

Representative Marzian introduced Dr. Gary Ransdell, Western Kentucky University (WKU) President, who presented his 2004-2005 annual report and strategic planning for the future. He thanked the subcommittee members for the budget that was passed for the present biennium, and he said WKU is making significant progress with the funding that has been provided.

Dr. Ransdell said that WKU has been the fastest growing university in the Commonwealth of Kentucky for the last nine years. He said WKU's undergraduate enrollment in the fall of 2004 was 15,846. He noted that graduation rates have also increased from 37 to 47 percent since the implementation of House Bill 1.

Dr. Ransdell said that WKU had 2,849 employees in the fall of 2004, with 682 full-time faculty, an increase from 565 in the fall of 2000. He noted an important statistic that nearly 60 percent of WKU's faculty has been at WKU for less than five years. This statistic reflects the growth in faculty positions, as well as the highly credentialed nature of the faculty.

Dr. Ransdell said WKU is committed to reaching its goals by working with the General Assembly, as well as finding creative and innovative ways to generate private dollars, demonstrating good business practices, and redirecting internal funding to meet the goals of House Bill 1. He said WKU's mission has expanded from just educating students, to stewarding the quality of life, and improving the quality of life, of people within the region.

Dr. Ransdell discussed the 2004-2005 progress reports and indicated that these reports were direct measures of the five strategic goals if the institution. He also discussed details of the strategic plan for 2005-2006 and 2007-2008. A detailed summary is in the handout located in the meeting folder in the LRC library.

Dr. Ransdell directed the members to the handout in the back of the annual report that applies actual dollars to items within WKU's strategic plan. He said the projects on the list are WKU's priorities, and certain highlighted items are the initiatives that WKU is going to devote the \$5.8 million dollars in increased funding for the second year of the biennium that

was received from the General Assembly. The items on the list that are not highlighted are priorities that WKU will pay for and support through tuition generated revenues.

Dr. Ransdell noted that one highlighted priority is to increase the minority enrollment by ten percent at a cost of \$500,000, while another priority is to increase applied research grants and contract to \$50 million with specific emphasis on technology transfer and commercialization at a cost of \$2.5 million. He also said that increased program opportunities will be offered in Owensboro and Glasgow, and extended campus sites, that increase degree production by 50 percent. WKU will focus on implementing the Kentucky Academy of Mathematics and Science to provide rigorous educational opportunities for gifted and talented high school junior and seniors, encouraging them to remain in Kentucky, and doubling the enrollment in the Honor's program by attracting and graduating Kentucky's most gifted students. The complete list is located in the meeting folder located in the LRC library.

Representative Marzian told Dr. Ransdell that the reports were an excellent tool for the public and policymakers. She also congratulated Dr. Ransdell on WKU's gender/ethnicity pay equity analysis for all full-time faculty and staff, and the salary adjustments made as a result of the study.

Representative Marzian asked for a motion to approve the minutes upon the subcommittee obtaining a quorum. Representative Siler made the motion to approve the minutes, seconded by Senator Winters. The minutes were approved by voice vote.

Representative Marzian introduced Dr. James Votruba, President, Northern Kentucky University (NKU), who gave a background on statistics since reform began in fiscal year 1998. He said the total enrollment rose from 11,799 to 14,665 this year, a 24 percent increase. NKU's undergraduate enrollment has increased by 19 percent, from 10,643 to 12,676 this year. The graduate and first-professional enrollment has also increased from 1,156 to 1,989 this year, a 72 percent increase.

Dr. Votruba discussed the six-year graduation rate. He said NKU's graduation rate increased from 33.3 percent in 2002-2003 to 41 percent in 2004-2005, an increase of 7.7 percentage points. The total number of degrees awarded increased has by 43 percent from 1,675 to 2,398 this year.

Dr. Votruba said NKU's Center for Integrated Natural Science and Mathematics (CINSAM) served nearly 10,000 P-12 students through math and science enrichment programs over the last year. CINSAM provided professional development opportunities in math and science to over 1,400 P-12 teachers last year.

Dr. Votruba said NKU is a state and national leader in its efforts to measure the institution's impact on the region through community engagement. Based upon survey responses, NKU reported that in 2005-2006: NKU faculty and administrative staff were involved in 1,198 community engagement activities; and NKU faculty and administrative staff were

involved in 644 individual community projects.

Dr. Votruba said NKU recognizes and accepts its role as a jobs and revenue producer for the state. Over the last decade, 50,000 jobs have been created in the region. Northern Kentucky was also responsible for 32 percent of the state's new jobs, created between 1998-2003, despite having only 8.2 percent of the state's population.

Dr. Votruba said NKU is deeply committed to fostering Northern Kentucky's vision of being an economic engine for the Commonwealth, while doing its part to help reach the goal of having 400,000 additional college graduates living in Kentucky by the year 2020. It is fully prepared to make the necessary adjustments to compete with communities such as Austin, Texas; Charlotte, North Carolina; and Denver, Colorado.

Dr. Votruba detailed some conditions that would be in place by 2015, assuming necessary investments are made. A few are: 1) NKU would serve 22,000 students, up from 14,000 in 2005, with marked increases in the number of Kentucky Community and Technical College System (KCTCS) transfer students, adult learners students from the region's rural counties, and older workers retrained for knowledge economy jobs; 2) NKU's graduation rate exceeds it's national benchmarks; 3) NKU awards degrees to 3000 graduates, with a record number in the information sciences, allied health care, science and financial related disciplines, matching the region's target economic growth areas, and a strong representation of African American, Hispanic, and other traditionally under-represented populations; 4) the skill sets of NKU graduates match the job needs projected in the region's associated industries in 2006; and 5) NKU exceeds the national average of graduates retained in the local economy through its innovative corporate partnership program. A comprehensive list of the conditions are located in the meeting folder in the LRC library.

Dr. Votruba discussed six interconnected strategic directions that NKU will try to meet in order to compete in the future. The six goals areas include: 1) achieving a competitive economy by exceeding the national growth rate in new jobs and average household income; 2) achieving educational excellence by ensuring that children enter kindergarten with the skills necessary to succeed, elementary and middle school students are prepared to move to the next level, high school students are prepared for post-secondary education and work, and post-secondary graduates are prepared for graduate education or careers; 3) having livable communities by expanding parks, improving lifestyles, protecting the environment, promoting arts and culture, having an affordable cost of living, friendly neighborhoods, and vibrant recreational opportunities; 4) obtaining an urban renaissance by leveraging assets to increase economic and social value within the regional and global marketplace, and enhancing the urban core through collaborative relationships with the suburbs; 5) having effective governance by the local governments in Northern

Kentucky working together to improve the effectiveness of government services, maximize efficiency in utilizing resources, and improve the quality of life and economic well-being of the region; and 6) cultivating regional stewardship as a defining quality of the region by utilizing leaders at every level and across every sector who care deeply about overall regional progress and are committed to turning "Vision 2015" into reality.

Representative Marzian introduced Dr. Gary Cox, President, The Association of Independent Kentucky Colleges and Universities (AIKCU), who reported on the 2005 annual report and strategic planning for the future. He encouraged members to thoroughly review the annual report and handouts at their leisure.

Dr. Cox said the AIKCU has 19 non-profit institutions with over 95,000 alumni living in Kentucky. He said the AIKCU members employ over 5,000 people, and train about one third of Kentucky's teachers. He said they enroll 25,000 students, with 18,000 being from within Kentucky. AIKCU is responsible for eleven percent of Kentucky's postsecondary enrollment, and 26 percent of students are 25 years or older. They are being served in traditional campus settings and through accelerated degree completion programs, extended campus offerings, partnerships with community colleges, distance learning programs, and other innovative delivery methods. He noted that 97 percent of AIKCU students receive some form of financial aid, and over 40 percent of their students receive Pell grants. Nearly eight percent of all AIKCU students are racial or ethnic minorities, and 5.7 percent are African-American.

Dr. Cox said the largest institution is Bellarmine University with 3,000 students, and several institutions have over 1,000 students. AIKCU's strength is individual attention to students, and a primary focus in on enrolling students that transfer from KCTCS. He said AIKCU offers 165 undergraduate degree programs, and award more than 5,000 degrees annually. AIKCU awards 22 percent of Kentucky's bachelor's degrees, and grant one fourth of the nursing degrees in the state.

Dr. Cox invited the subcommittee members to visit any of the campus sites, and encouraged members to peruse the materials in the meeting folder.

With no further business before the committee, the meeting adjourned at 11:35 a.m.

Interim Joint Committee on Health and Welfare Subcommittee on Families and Children Minutes of the 1st Meeting of the 2006 Interim September 20, 2006

The 1st meeting of the Subcommittee on Families and Children of the Interim Joint Committee on Health and Welfare was held on Wednesday, September 20, 2006, at 10:00 AM, in Room 169 of the Capitol Annex. Representative Tom Burch, Chair, called the meeting to order, and the secretary called the roll.

Present were:
Members: Senator Katie Stine, Co-Chair; Representative Tom Burch, Co-Chair; Senators Joey Pendleton, and

Ernesto Scorsone; Representatives Scott Brinkman, Darryl Owens, and Addia Wuchner.

Guests: TJ Delahanty and Jeff Jones for the University of Kentucky; Chelsea Clarke for Kentucky Child Now; Barbara Donica for KDE; Michelle Sanborn for the Children's Alliance; Nancy McKee for Wyeth and Rich Seckel for Kentucky Legal Services.

LRC Staff: DeeAnn Mansfield, Ben Payne, and Cindy Smith.

The first item on the agenda was an update on the Adoption Task Force by Tom Emberton Jr., Commissioner, Department for Community Based Services. Commissioner Emberton said the 12 member Blue Ribbon Adoption Panel was appointed on July 7, 2006 to review the process and current practices that lead to termination of parental rights and adoption of children in the child welfare system. The Panel's two meetings have included a presentation on the legal process to permanency, an overview of federal legislation promoting safety and permanency outcomes for children, presentations from judges, and information on early brain development and attachment. Future meeting plans include hearing from guardian ad litem, parent advocates and developing recommendations for consideration by the 2007 General Assembly.

Senator Pendleton asked what is being done to make the adoption process easier in Kentucky. Commissioner Emberton said the charge of the Task Force is to review the process leading to termination of parental rights and adoption, to review the process and to determine if the system needs to be modified.

Representative Burch asked what was the number of children taken away due to their parent's lack of means of support. Commissioner Emberton said he does not have that number, but each case depends on the merits of each individual. A parent's lack of means of support is not a criteria for removing a child, as long as the child is in a safe environment.

The next item on the agenda was a presentation on Adoption Data by Race by Dr. Eugene Foster, Undersecretary for Children and Family Services. Dr. Foster presented information on adoptions and race in Kentucky. He indicated that data show that African American children in Kentucky are disproportionately represented in the child welfare system compared to white children by a factor of 2.5. This is a national problem and Kentucky is among the states with high, but not extreme disproportion. Kentucky recognized these problems early and has gained national attention for its leadership through its work with the Casey Foundation. After looking at the proportion of representation of children in Kentucky's system by race, Dr. Foster concluded that statewide, African American children are referred more often to Child Protective Services than the census suggests they should. Once investigated, African American cases are substantiated at a rate greater than their representation in the census. Even though African American children are rated lower on child risk assessments than white children, the rates of substantiations are

much higher when compared to those of their white counterparts. In addition, the removal rate of African American children is greater even though the risk scores are lower than white children. Data also indicated that there is a higher rate of termination of parental rights among African American children when compared to whites, yet they are adopted at the same rate. Dr. Foster indicated that the cabinet is taking positive steps to address this problem including increasing cultural diversity training for social service workers, increasing community dialogue, and engaging parent advocates to help African American parents to navigate the child welfare system. He emphasized that this is not just a child welfare issue and that the cabinet is dedicated to making necessary institutional improvements to address racial disparity in child welfare.

Representative Owens stated that he was impressed with the efforts to eradicate disproportionality. Dr. Foster said the Cabinet is very committed to doing it correctly. He noted that it is not just a child welfare system issue, but also a huge issue in healthcare and the juvenile justice system.

Representative Brinkman asked if abuse is the basis for removal of a child from their home, or what the findings have to be. Dr. Foster said there are strict guidelines followed when the decisions are being made. He noted that the majority of the removals are due to neglect.

Representative Wuchner noted that there are cultural differences on discipline that could be seen as abuse or neglect by others. Dr. Foster said staff are being trained to look at the issues to have the ability to respond in the correct way.

Representative Burch asked if there are certain areas where more African American children are taken out of home more frequently than other areas. Dr. Foster said that Jefferson County statistics did not vary much from statewide statistics. The county-by-county statistics have not been looked at this year.

Representative Burch asked if adoption of children of other races are encouraged. Dr. Foster said they are allowed, but all decisions are made on a case-by-case basis and an effort is made to match children based on cultural appropriateness.

The next item on the agenda was a presentation on the Kentucky Youth Risk Behavior Report by Jeff Jones, Assistant Research Professor, UK College of Public Health. Mr. Jones' presentation focused on obesity and drug data. He indicated that the data show that some of Kentucky's efforts are paying off. While there are still several areas of concern, health indicators for Kentucky's youth are improving particularly in tobacco use, although Kentucky is 4th in the nation for High School smoking. He noted that Kentucky has the highest percent of high school students that are obese in the country. Overall, 16 percent of Kentucky High School students and 17 percent of Middle School students have BMIs at the 95th percentile or higher. The data indicate that more children in Kentucky are becoming obese at increasingly younger ages. He also noted that Kentucky students get the least PE of any students in the nation, 25 percent of High School

students in Kentucky get 60 minutes or more of PE per day compared to 54 percent in the nation. Sixty minutes per day is the recommended amount of physical activity. Only 30 percent of Kentucky High School students get 60 minutes per day for 5 or more days in a week of any physical activity compared to 36 percent nationally.

Senator Stine noted that there has been resistance against increasing PE requirements in schools and asked if there are any states that require PE through high school. Mr. Jones said he is not sure how many states have that requirement, but noted that North Carolina leads the country in physical education requirements, by requiring PE in 11 out of 12 years of school.

Representative Wuchner noted that exercise can be broken into segments during the school day. Other members agreed and noted that if there is a will, a way can be found to implement exercise into each school day.

The next item on the agenda was a progress report on the Kentucky Youth Development Coordinating Council by Tom Emberton Jr., Commissioner, Department for Community Based Services, and TJ Delahanty, Kentucky Youth Development Partnership, University of Kentucky Cooperative Extension Services, 4-H Youth Development Program. Commissioner Emberton said that the Kentucky Youth Development Coordinating Council was established by Senate Joint Resolution 184 of the 2006 General Assembly. The charge of the Council is to support the collaboration of existing youth services to increase the quality, efficiency, and effectiveness of services, opportunities and supports for young people. At the first meeting of the Council on August 10, presentations were provided on the intent of the Resolution, the federal Shared Youth Vision Initiative and the KY Youth Policy Assessment. Council members also discussed existing collaborative efforts within their agencies. Commissioner Emberton noted that T.J. Delahanty of the 4-H Youth Development Program is providing staff support to the Council. Through his efforts, the Council has identified all statewide programs that serve young people ages 8 to 24 years and developed an assessment tool to identify all interagency youth services collaborative activities. The next steps of the Council include conducting a statewide assessment of all youth collaborative activities, establishing the subcommittee framework of the council and developing a three year strategic plan.

The last item on the agenda was an update on the Temporary Assistance for Needy Families (TANF) Reauthorization Legislation. The Commissioner discussed changes due to the interim TANF regulations. He indicated that Kentucky receives about \$181 million dollars in federal TANF dollars and \$71 million in state dollars. About \$22 million of these dollars went into Protection and Permanency in 2005. The cabinet is working to meet the new work requirements of 50 percent for work activity participation. If the 50 percent is not met, a \$10 million dollar fine could be incurred. The Commissioner indicated that Jefferson county is a particular challenge and that the cabinet has

designated additional staff to help Jefferson County meet the work requirements. He also indicated that they are working one-on-one with those in educational activities because higher education will no longer count as a work activity.

The meeting was adjourned at 11:50 a.m.

Interim Joint Committee on Judiciary

Minutes of the 1st Meeting of the 2006 Interim September 19, 2006

The 1st meeting of the Interim Joint Committee on Judiciary was held on Tuesday, September 19, 2006, at 10:00 AM, in Room 171 of the Capitol Annex. Senator Robert Stivers II, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Robert Stivers II, Co-Chair; Representative Gross C Lindsay, Co-Chair; Senators Perry B Clark, Carroll Gibson, Jerry P Rhoads, Richard "Dick" Roeding, Ernesto Scorsone, Dan Seum, Katie Stine, and Jack Westwood; Representatives Jesse Crenshaw, Joseph M Fischer, Stan Lee, Darryl T Owens, Frank Rasche, Kathy W Stein, John Vincent, Robin L Webb, Rob Wilkey, and Brent Yonts.

Guests: Bill Heffron, Dept. of Juvenile Justice; Teresa Barton, Justice Cabinet; Pierce Whites, Office of Attorney General; Charles Geveden, Office of Attorney General; Todd Leatherman, Office of Attorney General; Ian Sonogo, Office of Attorney General; David James, Office of Attorney General; Jennifer Shiuver, Office of Attorney General; Margaret Case, Dept. of Public Advocacy; Ken Schwendeman, Justice and Public Safety Cabinet

LRC Staff: Norman Lawson, CSA, Jon Grate, Katie Coyle, Ray Debolt, Autumn Dmytrewycz, and Michelle Coyle.

Senator Robert Stivers called the meeting to order, the roll was called, and a quorum was present. The first speaker was Commissioner Reese of the Department of Corrections who spoke about a revised prison industries enhancement bill. The bill, which is authorized by a Federal law, provides that prisoners engaged in a prison industries program which meets federal standards which include minimum wage, not displacing domestic workers, payment of taxes on wages and other requirements, can sell its products and services in interstate and international commerce. Commissioner Reese indicated that 39 states have enacted prison industries enhancement legislation and that the program has kept U.S. jobs from going abroad, returned U.S. jobs from abroad, provided U.S. companies with laborers, and at the same time has trained inmates for gainful employment upon release and has reduced recidivism for inmates who have participated in the program.

The next bill Commissioner Reese spoke about was the reintroduction of 06 RS SB 245 which related to a pretrial drug diversion program. This bill is designed to complement the programs of Drug Courts by providing a treatment program for persons with substance abuse problems. The bill was funded in the 2006 budget. Versions of the bill were passed in both

houses but did not pass the General Assembly.

The next bill Commissioner Reese spoke about was the reintroduction of 06 RS HB 351 which was a corrections housekeeping bill which required the party desiring the attendance of a convict at a civil proceeding to pay the costs of guarding, transportation, housing and feeding, and encouraged video conferencing in such cases. Commissioner Reese indicated that the department has been working with the Administrative Office of the Courts to implement the programs in courts equipped for video conferencing.

The next bill which Commissioner Reese spoke about was the reintroduction of an inmate banking and fees bill, 06 RS HB 425, which provided for administrative charges for inmate account transactions, increasing the supervision fees for inmates on probation or parole, and required an inmate to pay for pre-sentence investigations not to exceed the actual cost of the investigation or \$75, whichever is lower.

The next bill which Commissioner Reese spoke about was a bill relating to the parole of prisoners with terminal illness conditions. This proposal, which appeared as an amendment to several bills in 2006, would shorten the time for notices of parole hearings for inmates with terminal medical conditions. Commissioner Reese indicated that the adoption of the proposal would save the department money currently expended for medical costs. Rep. Robin Webb indicated that she had applied for medical paroles in the past for inmates with terminal medical conditions and that some had died prior to the hearing under the current law. Chairman Lindsay asked whether we already had a statute on this subject to which Commissioner Reese replied, yes, but the hearing times following notice to victims and others are so long that many inmates die prior to the hearings.

The next bill which Commissioner Reese spoke about was 06 RS HB 407 which would penalize as a felony consensual sexual conduct between an inmate, probationer, or parolee, and a staff employee, volunteer, or probation and parole officer.

The next speaker was Ken Schwendeman of the Justice and Public Safety Cabinet who spoke about other bills which the cabinet would like to introduce at the 2007 Regular Session. The first bill, 06 RS SB 118, was a codification of budget changes adopted in recent years adding the State Police, Kentucky Vehicle Enforcement and other law enforcement officers to the Kentucky Law Enforcement Program Foundation Fund (KLEPF Fund) which provides a salary supplement to officers who receive basic and in-service peace officer training and which also increases the stipend to \$3,100. The funding for these changes, according to Mr. Schwendeman, has been in the budget for several years and the desire is to amend the KLEPF Fund statutes to make the changes permanent.

The second bill was the Justice and Public Safety Cabinet housekeeping bill, 06 RS HB 351, which included provisions for the Kentucky Law Enforcement Council to have standards for revocation of

certified peace officer status, provide for extensions of certifications for peace officers serving in the military, permitting KRS Chapter 16 (State Police) employees to participate in the Kentucky employee suggestion program, eliminate a conflict as to how quickly the Department of Corrections must respond to an open records request by specifying five days response time, change the Sudden Infant Death Syndrome definitions to match current medical definitions and require further investigation of the circumstances of such cases, provide for criminal record checks on persons displaced during disasters and for emergency placement of children, and provide for restrictions on the release of security sensitive Department of Juvenile Justice information.

The next speaker was Deputy Secretary of the Justice and Public Safety Cabinet Theresa Barton, who also directs the Office of Drug Control Policy, who spoke about 06 RS HB 130 the "AWOL" bill which prohibits the sale or use of alcohol vaporizing devices except for medical use. Deputy Secretary Barton indicated that these devices are being sold on the Internet as recreational devices for inhaling alcohol in a manner similar to a nebulae and that it has been reported that some bars in Louisville have been considering the purchase of such devices. Ms. Barton indicated that eight states are currently considering similar legislation and that four states have passed similar legislation.

The next bill about which Deputy Commissioner Barton spoke was the methamphetamine laboratory clean up bill, 06 RS HB 591 which would provide for listing properties which had been used for clandestine drug production, require clean up and remediation, and require state or local health inspections for such properties prior to the property being sold or rented. Representative Robin Webb observed that she supports the bill but hopes that the bill will be amended to include motor vehicles and recreational vehicles used for similar purposes. Chairman Lindsay asked who will pay for the costs of remediation and for lost income to which Deputy Secretary Barton replied that the costs would be borne by the owner of the property and that no other public reimbursement was planned. Representative Lindsay observed that considerable time might elapse during the clean up, inspection and restoration period and that the bill might be considered as "condemnation without compensation". Senator Seum asked if consideration had been given to acceptable levels of residual contamination to which Deputy Secretary Barton replied that this matter would have to be regulated by the Natural Resources and Environment Cabinet. Representative Yonts asked if the bill provided that the property was off the tax rolls during the period it was unusable to which the reply was "no". Representative Yonts observed that this was a situation relating to inverse condemnation which might require the government to pay for the taking of the property. Senator Roeding asked whether the bill would be a burden to Realtors to which Deputy Secretary Barton replied that most Realtors to whom she has spoken favor the bill because of liability issues associated with selling contaminated

property.

The next speaker was Ms. Margaret Case from the Department for Public Advocacy who spoke in favor of a proposal to forgive student loans for attorneys serving in prosecutors offices, public defender offices, and civil litigation programs. Under the proposal a maximum of \$6,000 per year could be forgiven and that funding would be from an allocation of two cents per dollar from court costs. In response to questions from Representative Stan Lee, Representative Wilkey described the court cost legislation passed a few years ago and how the current funds are divided between various statutorily approved programs.

Senator Scorsone asked Commissioner Reese about delays in the processing of applications for restoration of rights. Commissioner Reese replied that the Department of Corrections responds promptly to the applications and that the actual granting of a restoration of the right to vote and hold public office must be done by the Governor.

The next item for consideration was a proposal by the Department of Juvenile Justice for a new administrative regulation, 505 KAR 1:060 relating to juvenile sexual offender programs within the Department of Juvenile Justice, particularly those portions relating to polygraph examinations. Chairman Stivers indicated that since this administrative regulation was still in the comment phase that those desiring to comment on the regulation direct their comments to the department and to the Administrative Regulations Review Subcommittee at the appropriate times. Senator Scorsone asked about a portion of the regulation relating to the use of IQ testing relating to admission to treatment programs to which Dr. Heffron and Ladonna Coble of the department indicated that they would look at the language of the proposed regulation with Senator Scorsone's concerns in mind.

The next speakers were Deputy Attorney General Pierce Whites and Director of the Criminal Appellate Division, Charles Geveden. They first spoke of potential problems with 2006 RS HB 3, the sex offender legislation, which related to a technical problem with the Class C felony provision for incest, clearly defining whether new registration provisions and extension of periods of registration apply to persons convicted prior to the effective date of the act, extension of the 90 day verification of sex offender residence to all sex offenders not just ones with lifetime registration, and whether the title to the act adequately covered all of the material within the act. Mr. Whites also indicated that the Attorney General is looking into the matter of the 1,000 foot residence restriction as it relates to nursing homes and medical facilities. Representative Lindsay asked how recent federal legislation requiring registration of juvenile sex offenders would impact our law to which Ian Sonogo of the Attorney General's office replied that it is impossible to answer the question at this time because the Attorney General of the United States was required to design and implement the program through federal regulations over the next several years.

The Attorney General's next proposal was to change the habeus corpus

legislation to require the petitions to be filed in the county of the conviction rather than of the residence of the offender and to limit the number of times that a court could consider the same issue in a petition. Representative Webb commented that having the sentencing judge to review a habeus corpus petition on the same manner might be improper. Senator Scorsone also objected to the proposal. Senator Stivers observed that the proposal would limit the number of frivolous petitions which are currently being filed. Ian Sonogo of the Attorney General's office indicated that various other states have such limitations and that the Federal government also has such limitations.

The next speakers were Mr. David James of the Kentucky Bureau of Investigation and Ms. Jennifer Shiuver of the Attorney General's Office who spoke about the successes in the implementation of 2006 RS SB 63 the internet pharmacy bill in detecting and prosecuting the distribution of illegal drugs. Mr. James described the arrest of persons in Louisville who had opened an internet pharmacy filling prescriptions from doctors in Florida for drugs such as hydrocodone, Zanax, and steroids for patients in Kentucky and other states who have never had an actual doctor/patient relationship. Mr. James described the cooperation of authorities in Florida and the Drug Enforcement Administration in the investigation. Representative Robin Webb observed that many persons in Eastern Kentucky have been traveling to Florida to obtain drugs illegally. Representative Webb also observed that the drug companies have records of drug production and distribution which are valuable to which Mr. James indicated that the Drug Enforcement Administration is already using these records to track illegal diversion of the drugs. Mr. Pierce Whites observed that constitutional challenges have been mounted by persons convicted of manufacturing methamphetamine that the warrantless inspection and requirement for registration of purchasers of pseudoephedrine and related products violates the 4th Amendment to the Constitution of the United States relating to warrantless searches. According to Mr. Whites, the Attorney General is defending these cases. Senator Westwood asked if doctors are signing off on the illegal prescriptions to which Mr. Jones replied that some doctors are and have been successfully prosecuted but that other doctors have been the victims of identity theft and the thieves are signing the prescriptions.

The next speaker was Mr. Todd Leatherman, director of the Consumer Protection Division of the Attorney General's Office who spoke of the need to reintroduce 06 RS HB 4 relating to identity theft. Mr. Leatherman indicated that changes suggested include security breach notification which has been adopted in 20 states, tightening of controls on the collection and use of Social Security Numbers, including limitations on the collection of Social Security Numbers by government agencies, and a new provision prohibiting "Phising" for personal information. Mr. Leatherman also spoke of the need to reintroduce 06 RS HB 543 relating to protection of telephone records

and to prohibit "pretexting" and other illegal record gathering.

Mr. Whites spoke of the next proposal for a bill relating to false claims for Medicaid programs which would reward whistle blowers and increase the amount of money which the state could recover for such actions. At present the federal government provides 70 percent of the funds and the state 30% of the funds for Medicaid programs. Under this proposal, which is based on a recent federal law, the state could recover 40% of illegal payments and receive double or triple damages as well. Mr. Whites observed that Florida recently recovered \$75 million in improper payments under similar legislation. Senator Stivers asked where the state part of the split came from and Mr. Whites responded that the state would receive 40% of the amount recovered plus 40% of additional damages. Representative Darryl Owens asked where the reward money came from and how much it was to which Mr. Whites responded that the money came from both the state and the federal share of the proceeds and was from 15% to 25% of the total and that the amount is determined by the judge.

The next proposal was a change in the statute requiring coroners to perform post mortem examinations to include persons who die in nursing homes and similar facilities where the circumstances meet the requirements of the law.

The final proposal was the requirement of a security bond for persons receiving Medicaid and similar payments where the circumstances have involved fraud in the past or could involve fraud.

The meeting was adjourned at 12:10 p.m.

Interim Joint Committee on Licensing and Occupations Minutes of the 3rd Meeting of the 2006 Interim September 8, 2006

The 3rd meeting of the Interim Joint Committee on Licensing and Occupations was held on Friday, September 8, 2006, at 10:00 AM, in Room 171 of the Capitol Annex. Representative Denver Butler, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Gary Tapp, Co-Chair; Representative Denver Butler, Co-Chair; Senators Tom Buford, Julian M Carroll, Perry B Clark, Julie Denton, Carroll Gibson, Robert J (Bob) Leeper, Daniel Mongiardo, Ernesto Scorsone, Dan Seum, and Damon Thayer; Representatives Tom Burch, James Carr, W Milward Dedman Jr, Jon Draud, Dennis Horlander, Joni L Jenkins, Dennis Keene, Stan Lee, Paul H Marcotte, Reginald K Meeks, Charles Miller, Ruth Ann Palumbo, Jon David Reinhardt, Ron Weston, and Susan Westrom.

Guests: Don Swikert, M.D., Kentucky Board of Medical Licensure; Elizabeth Partin, DNP, ARNP, Kentucky Coalition of Nurse Practitioners and Nurse Midwives; Charlotte Beason, EdD, RN, Executive Director, Kentucky Board of Nursing; Wilma May, Executive Director, Board of Hairdressers and Cosmetologists; Angela

Robertson, Board Administrator, Kentucky Boxing and Wrestling Authority; and Chris Lilly, Commissioner, Department of Public Protection.

LRC Staff: Vida Murray, Bryce Amburgey, Tom Hewlett, and Susan Cunningham.

The first item on the agenda was approval of the minutes from the August 11, 2006, meeting. A motion was made and, with a second, the minutes were adopted by voice vote.

Next on the agenda, Don Swikert, M.D., Kentucky Board of Medical Licensure; Elizabeth Partin, DNP, ARNP, Kentucky Coalition of Nurse Practitioners and Nurse Midwives; and Charlotte Beason, EdD, RN, Executive Director, Kentucky Board of Nursing updated members on the implementation of Senate Bill 65. Senate Bill 65 created the Controlled Substance Formulary Development Committee, made up of two advanced registered nurse practitioners (ARNPs), two physicians, and one pharmacist and granted limited authority to ARNPs to prescribe controlled substances. Ms. Partin said the limitations included: a 72-hour supply only on Schedule II prescriptions; and no refills allowed on Schedule III prescriptions. The bill also required that an ARNP be registered in Kentucky for one year before being given prescriptive authority. She said that there also must be a collaborative agreement between the ARNP and a physician, and the physician may limit the prescribing of scheduled drugs. Ms. Partin said that there had been meetings between the Kentucky Board of Medical Licensure and the committee. She said that the Kentucky Board of Nursing has met with agencies such as the Louisville Metro Narcotics Squad and has surveyed other states nursing boards to gather information on how prescribing by nurse practitioners has affected diversion rates. Recommendations were also considered from the Kentucky Office for Drug Control Policy and from the Kentucky All Schedule Prescription Electronic Reporting System (KASPER). Ms. Partin said that there was no evidence found that ARNPs writing prescriptions contributed to an increase in drug abuse or diversion. She said that ARNPs can access the Kentucky Board of Nursing's Web site or the Kentucky Nurse Practitioner Coalition's Web site for information on the changes in prescriptive authority. She said that at the Kentucky Nurses' Association convention in Louisville this coming October, there will be a session detailing Senate Bill 65, with information on how to be responsible prescribers of controlled substances. Dr. Charlotte Beason, Executive Director of the Kentucky Board of Nursing, said that the regulation that the Board of Nursing proposed based on the recommendation of the formulary development committee was that there be aggressive monitoring of an advanced practice nurse prescribing through the KASPER System. Dr. Beason said that the formulary committee felt that the new statute did not stipulate that certain drugs be excluded. LRC's Administrative Regulations Subcommittee has notified the board that the language was not in compliance with the statute. The formulary development committee will be reconvene to rewrite the regulation to

be comply with the statute.

Representative Burch asked how many nurse practitioners are available to prescribe medication. Ms. Partin responded about 3,000. Senator Tapp asked how many ARNPs had been given DEA (Drug Enforcement Administration) identification numbers. Ms. Partin said 196 ID numbers have been issued. Senator Carroll asked for an explanation of the proposed regulation and how the members voted. Ms. Partin said the pharmacists and the two ARNPs voted in favor of the regulation and one physician voted against it; however, at the time of the vote for the wording there was one physician absent. Ms. Partin said that the formulary committee's interpretation of the statute was that they could limit drugs by regulation if they felt it was necessary. Representative Draud asked if the medical doctors were opposed to the regulation. Ms. Partin said that the doctors felt that there should be more limitations on the ARNPs prescribing. Dr. Don Swikert, co-chair of the formulary committee, said that the medical doctors do not feel that the formulary committee's proposed regulation complies with the law's provision that there be a limit on those drugs that are identified as having a high chance for abuse or diversion. He said that the LRC's Administrative Regulation Subcommittee has recognized that. Dr. Swikert added that the formulary development committee will meet again and make the regulation compatible with the statute. Senator Carroll said that he felt that the statute required the formulary committee to make a finding on which drugs, have the greatest potential for abuse. Senator Mongiardo commented that physicians presently are the number one source for writing prescriptions that can be diverted and that due to time constraints the KASPER System was inefficient. Dr. Swikert said that KASPER was an invaluable tool; however, the system could be improved. Representative Burch asked if any other state grants prescriptive authority to ARNPs as broad as Kentucky's. Ms. Partin replied that some states have broader authority. Ms. Beason said the board conducted a survey of states where ARNPs have prescriptive authority and found rare exceptions of abuse or diversion. Senator Tapp said the formulary committee should be careful not to interfere with services now available to Hospice patients. Representative Butler suggested that improvements be made to the KASPER System in the next session and added that all doctors and ARNPs should participate in KASPER.

Next on the agenda, Wilma May, Administrator for the Board of Hairdressers and Cosmetologists, said that her agency would like to implement national testing. She said that, by current statute, the exam can only be administered every 30 days with a quorum of board members present. She said that proposed legislative changes would allow the exam to be give by two board members, one board member and the board's administrator, or a professional testing agency. Ms. May said that the board would also like to offer the exam at sites away from the board office and would like to offer the practical examinations more often. Ms. May said that this would allow a student who fails part of the test to re-

take an exam within days, so that he or she would be able to go to work in a more timely manner.

Senator Carroll asked why the board wanted to move to national testing, adding that he was not in favor of changing the current testing system. Ms. May said that currently the board administers the exam. If a student fails the exam and files a protest the student is protesting to the same body who failed him or her. Ms. May said that the main reason for the change is that it costs the board in excess of \$100,000 per year to rent enough space for the testing. Representative Lee asked what the cost would be for national testing and who would pay the cost. Ms. May said that if the board could eliminate the amount of rent paid by switching to national testing, the board would absorb the cost of the test. Representative Butler said that the committee had told hairdressers and cosmetologists that they were to work out an agreement within their organization before coming back with new proposals. Senator Buford noted that there were two cosmetologist in the audience and asked the chairman if they could speak. Rebecca Taylor, a cosmetologist, said that the students were unhappy about the use of mannequins; however, the board had voted at its last meeting to stop using live models. She said that she works with the Council on Occupational Education and during team visits at various cosmetology and barbering schools she sees that there is chaos in the states where national testing is used. Ms. Taylor said that school operators in Texas, Louisiana, Indiana, and other states say they would like to have a single location testing site, like Kentucky, where the board issues the license on the day of the test with no waiting period. Senator Tapp asked Ms. Taylor if she objected to a temporary license being issued if there were state-wide, mobile testing locations. Ms. Taylor said as long as the board was administering the test she had no objections. Senator Denton indicated that most occupations utilize national testing. She said that national testing was positive since it enabled a professional to practice in multiple states. Pat Stevenson, cosmetologist from Nicholasville, told the committee that she teaches for a manufacture all over the country. Ms. Stevenson said the board could do a better job of communicating with its cosmetologists. She said that apprentices do not know that they need to take a mannequin with them to take their master's test. Representative Butler suggested that the cosmetologist should contact their representatives and senators with their concerns about the board.

Next on the agenda, Chris Lilly, Commissioner, Department of Public Protection, and Angela Robertson, Board Administrator, Kentucky Boxing and Wrestling Authority spoke to the committee. Commissioner Lilly said that mixed martial arts is a new sport created in Brazil by a family named Gracie. It is a combination of karate, judo, boxing, and grappling and is called Brazilian Jujitsu. Commissioner Lilly said in recent years an entrepreneur, Spike TV, developed a large pay-per-view audience. He said that the Armed Forces is adopting this as empty-handed combat training. Mr. Lilly said that

there have been amateur events in Kentucky and one professional event, just after the administrative regulations went into effect. Mr. Lilly said that KRS 229.151 authorizes the Kentucky Boxing and Wrestling Authority to regulate mixed martial arts in Kentucky. He said that the events are regulated as boxing events, with three, three-minute rounds adding that most end in the first round. Mr. Lilly said that the most important person at the event is the referee, who can stop the fight when the competitor cannot safely continue.

Representative Meeks said that he would like to name the boxing regulations after Louisville boxer, Greg Page. Mr. Lilly said that Mrs. Page, the boxer's wife, is very supportive of the new regulations, particularly the provision requiring a physician to stay until all athletes have left the venue. Representative Lee asked why this sport is being allowed in Kentucky. Mr. Lilly said that it was a new sport that until 2005 had been unregulated. Mr. Lilly added that he wanted to personally thank Chairman Butler, upon his retirement, for his service.

There being no further business to come before the committee, the meeting was adjourned at 11:40 a.m.

Interim Joint Committee on Seniors, Veterans, Military Affairs, and Public Protection Minutes of the 2nd Meeting of the 2006 Interim September 7, 2006

The 2nd meeting of the Interim Joint Committee on Seniors, Veterans, Military Affairs, and Public Protection was held on Thursday, September 7, 2006, at 1:00 PM, in Room 169 of the Capitol Annex. Representative Mike Weaver, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Elizabeth Tori, Co-Chair; Representative Mike Weaver, Co-Chair; Senators Carroll Gibson, Vernie McGaha, Joey Pendleton, Dorsey Ridley, Dan Seum, Katie Stine, and Rep Jack Westwood; Representatives Sheldon E. Baugh, Carolyn Belcher, Tom Burch, Bill Farmer, Mary Harper, Gerry Lynn, Fred Nesler, Steve Riggs, Steven Rudy, Charles L. Siler, and Ancel Smith.

Guests: Wayne Harman, Deputy Secretary, Personnel Cabinet; Carla Hawkins, Commissioner, Department for Personnel Administration; Martye Pinkston, Deputy Commissioner, Kentucky Department of Veterans Affairs; Pamela Luce, Benefits Branch Manager, Kentucky Department of Veterans Affairs; David Huddleston, Executive Director, Office of Kentucky Veterans Centers; David Worley, Cemeteries Branch Manager, Kentucky Department of Veterans Affairs; Dr. Patrick McKiernan, Homeless Veterans Coordinator, Kentucky Department of Veterans Affairs; Larry Arnett, Joint Executive Council of Veterans Organizations; Don Dixon, JECVO; and Paul Schlisser, Non Commission Offices Association.

LRC Staff: Scott Varland, CSA, Clint Newman, Mustapha Jammeh, Tyler Campbell, and Rhonda Schierer.

Co-Chair Weaver called the meeting to order. The minutes of the June 1, 2006,

were adopted.

Representative Siler led the members and audience in the Pledge of Allegiance.

Co-Chair Weaver summarized resolutions in memory and honor of two soldiers who died in the war in Iraq: Staff Sergeant Santiago M. Halsel and Private First Class Christopher Neal White. Both resolutions were adopted by voice vote.

State hiring preference for veterans was then discussed with Wayne Harman, Deputy Secretary of the Personnel Cabinet, and Carla Hawkins, Commissioner for Personnel Administration, testifying.

Deputy Secretary Harman told the committee that there are 1,182 state merit job classifications. He said that there are 33,933 applications for state jobs in the Personnel Cabinet's database and 2,162 applicants (6.4%) received veterans' preference points. He said that the overall hiring numbers for state jobs have gone down considerably from last year by 20-30%, but they are still on track to match or exceed last year's hiring numbers.

Mr. Harman told the committee that the Personnel Cabinet supports HB 24 as amended by the Free Committee Conference Report. He added that between January 1, 2006, and July 31, 2006, 20% of veterans who interviewed got hired. Furthermore Personnel Cabinet representatives have met with the Kentucky Department of Veterans' Affairs (KDVA) to discuss ways to help veterans improve their chances of getting state employment.

Commissioner Hawkins explained the basic steps in the applicant interview process and added that some agencies have more stringent processes in addition to the basic steps. She said that the average one time interview process per job classification is 3.75-4 hours and per candidate is 3-4.75. She further pointed out that while some registers may have 25 applicants some have 1,800 applicants. Ms. Hawkins also said that the Personnel Cabinet has started to identify veterans on registers.

Commissioner Hawkins said that hiring managers need to learn more about veterans in order to understand a veteran's application. The Personnel Cabinet is in the preliminary stages of translating veterans' competencies and skills for hiring managers to better understand applicants with military experience. She has one veteran on her counseling staff of 10. All members of that staff will be taught the significance of military experience. The Personnel Cabinet is considering ways to introduce questions in the hiring process that can draw out veterans' skills and competencies. The KDVA has offered to speak at Personnel Cabinet training sessions to explain issues relating to veterans. She said that the Personnel Cabinet is going to provide state employment information to military personnel as they leave the military.

Ms. Hawkins reiterated the Cabinet's support for HB 24 as amended by the Free Committee Conference Report but highlighted some agency concerns. The low number of veterans on some registers is due to lack of interest on the part of veterans or a misunderstanding between what veterans think their skills and competencies are and what the counselors understand them to be. She added that the other area of concern is the quick filled positions that don't have a 10 day posting win-

dow before the interview process. She said that these are positions with high turn over rates, and it is critical to have these positions filled at all times. She added that agencies with quick filled positions conduct continuous interviews and are concerned with having to interview five veterans at any set time.

Next to speak were Marty Pinkston, Deputy Commissioner, and Pamela Luce, Benefits Branch Manager, from the KDVA. Deputy Commissioner Pinkston said that the KDVA had been working on veterans' preference long before it became an issue last year. The Department had been researching what other states have been doing with regards to veterans' preference.

Branch Manager Luce told the committee that in her research on veterans' preference in all 50 States, she found out that only Virginia does not claim to provide some form of veterans' preference. Forty states give special preference to disabled veterans, and 10 do not make any distinction between disabled and other veterans. Several states have a system similar to Kentucky's points system. Thirty-nine states have a five point preference for veterans; eight states give a 10-point preference; Ohio adds 20% of the score a veteran earns to his or her final score; and New Jersey and Virginia don't have a points system. She added that New Jersey has a very strong veterans' preference system in that veterans are listed ahead of non-veterans on registers. Some states require a written justification when a veteran is passed over for a job. Ten states give internal mobility promotion preference to veterans.

Ms. Luce also told the committee that currently several definitions of "Veteran" are in the Kentucky statutes. KDVA believes that the definition of a "Veteran" needs to be same as the federal definition. KDVA also recommends preference points for all members of the National Guard and Reserve. Ms. Luce added that KDVA appreciates the Personnel Cabinet's initiative in identifying veterans on registers. Lastly, KDVA also recommends that a veteran be permitted to score over 100 points on a state job examination through the addition of veterans' preference points (five or ten) to that veteran's actual score on the examination.

Mr. Pinkston told the committee that HB 24 and its subsequent versions covered most of the recommendations the KDVA made to the committee last year. KDVA recommends that the 2007 General Assembly pass HB 24 as amended by the Free Conference Committee Report. Mr. Pinkston also said that at present, veterans' preference in Kentucky is in name only. Veterans' preference points play no role in the filling of most state job vacancies.

Co-Chair Weaver opened the floor to statements and questions.

Representative Burch said that the handling of the current war does not allow soldiers to have a career goal and be on the long term promotion list of their employers. He added that people who serve in the military should have an easier means to getting a job in state government, because they sacrifice a lot and most of the time are in harms way. Rep. Burch also stated that the nation and state government have an obligation to do better.

Representative Riggs said that the

reluctance in giving enough credence to veterans' experience seems to come from the hiring managers. Ms. Hawkins said that the Personnel Cabinet recognizes that there is a misunderstanding in translating veterans' skills and competency, but the Cabinet is working on correcting that. The Cabinet currently has one counselor who is a veteran, and the Cabinet is in the process of training all the counselors to better draw out veterans' skills and experience during interviews.

Representative Riggs asked if a program has been established to do the training. Ms. Hawkins stated that the Cabinet started preliminary discussions with KDVA last month, and the Cabinet is looking at materials to incorporate into counselor training.

Representative Riggs asked if the counselors are aware of the new piece of legislation on veterans' preference. Mr. Harman stated that registers indicate whether someone has qualified for veterans' preference points. A "V" is placed by the veteran's name. He does not know how much the counselors know about veterans' preference. Ms. Hawkins stated that the original concern was about the length of the interview process, because initially the legislation required all veterans to be interviewed. Mr. Harman added that the key concern is to get all counselors trained and know more about the legislation.

Co-Chair Weaver said that it is important for people who conduct interviews to understand the military system.

Co-Chair Tori stated that she was concerned about the actual mechanics in identifying veterans with a "V" on the application. She asked if all agencies know what a "V" stands for. Mr. Harman stated that they have that information on the application and the register.

Representative Baugh asked if length of service or disability is given any weight when determining preference for veterans. Mr. Harman said no, but they would have no problem doing that for disabled veterans.

Representative Baugh asked if it will be required for the disability to be service-connected. Ms. Hawkins stated that currently extra preference points are awarded for a service connected disability but not for other disabilities. A veteran receives five preference points. A veteran with service-connected disability receives 10 preference points.

Representative Baugh stated that it seems to him that it might be appropriate for a service-connected disability to get a higher weighting than a disability that arises after service. Ms. Luce stated that service-connected disabled veterans gets more points than other veteran, but the KDVA is concerned about identifying disabled veterans on the register. Some managers or agencies might be reluctant to hire them.

Representative Baugh asked if there are applicants other than veterans who can score more than 100 points on the state hiring examination. Mr. Harman stated that under current law no one may score over 100 on the examination. If HB 24 had passed, then veterans would have been able to score over 100 on the examination.

Senator Pendleton stated that people

who do the hiring in state government need to be educated. He added that they shouldn't be concerned about the length of time it takes to interview veterans who've sacrificed a lot by putting their lives in harms way.

Representative Nesler asked if the Personnel Cabinet supports the Free Conference Committee Report version of HB 24. Mr. Harman stated that the Personnel Cabinet supports the Free Conference Committee Report.

Representative Nesler asked what is being done as far as getting someone who understands the military system. Ms. Hawkins said that she hired Barbara Barnes, an Air Force veteran, as her deputy, and she has really made a tremendous difference in helping the Cabinet understand the amount of skills and experience people can earn in the military. Ms. Barnes has been a great educational asset. Ms. Hawkins also said that their concern right now is to have all counselors better trained at interviewing veterans.

Representative Nesler asked how long it will take to educate the other nine or 10 counselors. Ms. Hawkins said that she would like to see something in place within the next two to three months. Ms. Luce added that KDVA has offered to be part of the Personnel Cabinet's curriculum to train the counselors and hiring managers. Representative Nesler stated that there needs to be a point person to interview veterans.

Co-Chair Weaver said that there are many retired veterans who will volunteer to help the Personnel Cabinet on an interim basis before they can hire the military expertise they need. He asked if the Personnel Cabinet was on board with the KDVA's recommendations: adopt a uniform definition of "Veteran" in the statutes; allow preference points for all National Guard and Reservists; allow veterans' scores on examinations to exceed 100 points; identify veterans on registers; and offer interviews to the five most qualified veterans on the register. Mr. Harman answered in the affirmative.

Co-Chair Weaver stated that he sponsored HB 24, and he hoped that someone in the House of Representatives would file it early for next session since he is retiring from the General Assembly.

Representative Nesler stated that he was very appreciative of KDVA and the Personnel Cabinet agreeing to all the recommendation for HB 24, and Co-Chair Weaver concurred.

The committee then turned its attention to other veterans' issues. David Huddleston, Executive Director, Office of Kentucky Veterans Centers, gave the committee an update on current and planned Community Based Outpatient Clinics (CBOC's) in and around Kentucky. Mr. Huddleston mentioned 16 CBOC's that are available to veterans and another ten that are scheduled to open in the next few years.

Co-Chair Weaver asked how long CBOC's have been in existence and why. Mr. Huddleston stated that CBOC's exist to increase healthcare access to veterans. He added that a great push in 1996, as a result of the Veterans Healthcare Eligibility Reform Act, increased healthcare access for all categories of veterans.

Co Chair Weaver asked if there are any CBOC's that predate 1996. Mr. Huddleston said that the Prestonsburg CBOC predates 1996, but most of the CBOC's came after 1996.

Co-Chair Weaver asked if the increase in CBOC's resulted from a shift in emphasis from inpatient care to outpatient care. Mr. Huddleston answered in the affirmative.

On Veterans' Nursing Homes, Mr. Huddleston stated that they have 261 residents in house, 24 available beds and 7 new residents scheduled in the Thomson Hood Veterans Center. He said that they are working on getting the word out that they have beds available in Central Kentucky. He added that in the past years there has always been a waiting list for beds in the nursing homes, but the opening of nursing homes in Western Kentucky and Eastern Kentucky in 2002 may have dispersed the demand. Mr. Huddleston pointed out that they are finishing up on a Special Care Unit renovation project in Thomson Hood and will be moving on to the renovation of the remaining three units. He said that the renovation project is currently number 24 on the federal Veterans' Administration (VA) priority list. He added that the State has its 35% match of funds, but the VA does not have their 65%. He also said that there are probably \$200 million worth of projects on the VA list ahead of it, but they are hoping to get the renovation completed in the next 2-3 years.

Mr. Huddleston stated that they have 118 residents in house, two available beds, two residents scheduled, and a total of 57 individuals on the waiting list at the Western Kentucky Veterans Center. He said that in response to the demand, they have applied to the VA for a 40 bed expansion. He added that the state has its 35% match of funds for this project, but the VA does not have their 65%. He said that this project is not yet on the VA's priority list and is going to take several years to carry out.

Co-Chair Weaver asked if the 35% state match is a requirement to be on the list. Mr. Huddleston stated that there are different places that you can be on the list. He added that they started on the 2006 priority 7 list, and now that they have their matching funds, they could move to 40-50th position on the priority 1 list.

Co-Chair Weaver asked if current capacity and number of beds are criteria in placement on the priority 1 list. Mr. Huddleston answered in the affirmative.

Mr. Huddleston said that in the Eastern Kentucky Veterans Center there are 119 residents in house, one available bed, and one resident scheduled. He added that the number of individuals on the waiting list is increasing and currently stands at 13. He stated that they have also submitted a pre-application to the VA for a new 160 bed nursing home. He added that the site for this new home is unspecified, but there is a tremendous need in the Jefferson/Hardin County area. He pointed out that the estimate for this new project is \$21 million, and the state does not have the 35% matching funds at this point. Mr. Huddleston also said that should the 40 bed expansion in Western Kentucky and the additional 160 bed new home be approved and built, Kentucky's total bed count will be 725. He pointed out that

this still leaves room for a 34 bed domiciliary or assisted living capability under VA rules.

Co-Chair Weaver asked: how many acres will be needed for the new nursing home; where it will fall on the priority list if the state matching funds are available; and how long it will take to build the home. Mr. Huddleston said that 5-10 acres will be sufficient to build the home. He added that \$7 million is required in the State matching funds, and it may take 5-6 years to build the home considering that there are currently a total of \$700 million worth of projects at various stages of completion on the VA's list.

David Worley, Cemeteries Branch Manager, then talked to the committee about veterans' cemeteries. He stated that Kentucky loses about 25 veterans daily. Mr. Worley added that he expects the number to peak in the next few years. KDVA opened up a veterans' cemetery in Hopkinsville in March 2004, and construction of another is ongoing in Radcliff. KDVA has almost finished the design for Williamstown and will probably start construction bidding in the next six to eight weeks. KDVA plans on a ceremonial ground breaking at Williamstown on November 3rd. He also pointed out that KDVA is working on acquiring land for two more veterans' cemeteries in Greenup and Leslie Counties.

Mr. Worley stated that KDVA provides in-ground casketed sites, in-ground cremains, and a columbarium wall. He added that they bury dependents as well, eight of whom have been children so far. He showed the committee pictures of buildings at the veterans' cemetery in Hopkinsville. He also showed construction sites and plans for Radcliff and Williamstown cemeteries.

Next to speak to the committee was Dr. Patrick McKiernan, Homeless Veterans Coordinator at the 40 bed Homeless Veterans Transition Facility in Lexington. Dr. McKiernan told the committee that the Homeless Veterans Program currently receives \$29.31 per resident daily from the VA to support its operations. He said that this covers a great amount of the cost but not all of it. He added that the Transition Facility currently has 39 veterans staying at the facility. Since the Transition Facility opened last year, 16 residents have graduated, and 14 others exited with improved status.

Dr. McKiernan also told the committee that Inter Link Counseling Services, a long term substance abuse program in Louisville, is about to begin construction of a 28 unit housing development that will be give preference to veterans. He added that there is also a five bed women veterans' program at the same facility, and KDVA has applied for 10 additional beds for homeless women veterans. He added that last year they expended \$28,105 from the veterans' program trust fund to assist 107 veterans who were in danger of losing their housing or becoming homeless. Dr. McKiernan told the committee that of the veterans who received housing assistance 33 were Katrina evacuees, and 65 others had dependent family members and were having a hard time maintaining housing. He added that the program is a very forward thinking program, and the veterans are extremely grateful for the assistance.

So far this year, about \$3,100 have been spent to assist nine veterans and their family members.

Representative Riggs asked what procedure is used to ascertain the status of those seeking assistance. Dr. McKiernan stated that in addition to name, date of birth, and social security number, KDVA obtains a veteran's original DD-214 or look it up in the VA computer to verify veteran status. He added that he has yet to have someone falsely claim veteran status.

Co-Chair Weaver asked if they get any of the money in the homeless veterans' trust fund from the veterans' program trust fund. Dr. McKiernan stated that most of the money comes from the veterans' program trust fund.

Co-Chair Weaver asked for the source of most of the money in the veterans' program trust fund. Dr. McKiernan stated that most of the money comes from military license plate sales. There are also private donations.

Co-Chair Weaver stated that the committee will like an update on implementation of military license plate sales program. Co-Chair Weaver added that everyone on the committee with a House or Senate License plate automatically donates to the veterans' program trust fund. Mr. Pinkston added that the veterans' program trust fund gets donations from the sale of congressional, judicial, and military license plate sales as well.

Co-Chair Weaver stated that he would imagine that the veterans' license plate is becoming the most popular in the state. Mr. Pinkston said that its popularity is growing significantly.

Co-Chair Weaver asked for the committee to be provided figures and a comparison between veterans' plates and vanity plates.

Dr. McKiernan added that the homeless veterans' trust fund is an unfunded program, and it completely depends on money received from donations, charities, and the veterans' program trust fund.

Next on the agenda was the women veterans' program. Ms. Pamela Luce told the committee that she had been participating at the national level in meetings and programs that address women veterans': healthcare, benefits, cemeteries, and other initiatives of concern to women veterans and those currently serving.

Ms. Luce said that the Kentucky Women Veterans coordinating committee has met several times and will meet again next week. Their concerns are very much in line with the women veterans nationally.

Co-Chair Weaver asked about the application to accommodate more homeless women veterans' at Inter Link Counseling Services and whether they made a case for the expansion. Ms. Luce stated the application was for a 10 bed expansion but has not been approved yet.

Representative Riggs announced that on September 29 there will be a release of *The Guardian*, a movie on the United States Coast Guard, and he recommended that everyone see it.

Mr. Pinkston said that KDVA appreciates the support of the committee. He added that there are only a handful of other departments around the nation who are able to do what KDVA is able to do in Kentucky with the support of the General As-

sembly. He urged members of the committee to attend funerals of fallen soldiers if they have the opportunity.

Representative Siler reported to the committee that 484 National Guard soldiers from his area have been activated to Camp Shelby, Mississippi to prepare for deployment. A group of wives and auxiliary got together and raised \$95,000 to bring them home for a ten day leave and return them to camp for free. He added that their target was \$80,000, but the response of the public exceeded expectations.

Co-Chair Weaver stated that during the previous weekend he was in Leitchfield, Kentucky where members of the Kentucky National Guard are preparing to deploy overseas with a Minnesota unit. The Kentucky soldiers complained to him that when they go with a National Guard unit from another state, that state takes care of their own before they take care of the Kentuckians. He added that he made that point, because Kentucky National Guard members are making many sacrifices while participating on the Global War on Terrorism.

The meeting adjourned.

Interim Joint Committee on Transportation Minutes of the Third Meeting of the 2006 Interim September 5, 2006

The third meeting of the Interim Joint Committee on Transportation was held on Tuesday, September 5, 2006, at 1:00 PM, in Room 171 of the Capitol Annex. Representative Hubert Collins, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Brett Guthrie, Co-Chair; Representative Hubert Collins, Co-Chair; Senators Walter Blevins Jr, David E Boswell, Robert J (Bob) Leeper, R J Palmer II, Richard "Dick" Roeding, Richie Sanders Jr, and Gary Tapp; Representatives Eddie Ballard, Carolyn Belcher, Denver Butler, J R Gray, Jimmie Lee, Paul H Marcotte, Charles Miller, Russ Mobley, Lonnie Napier, Don R Pasley, Marie L Rader, Rick W Rand, Ancel Smith, Jim Stewart III, Tommy Turner, and John Vincent.

Guests Testifying Before the Committee: Anthony Reck, President, Paducah & Louisville Railroad and Chairman of the Kentucky Railroad Association; Randall Clark, President, Trans Kentucky Transportation Railroad, Inc.; Fred Mudge, Chairman, R. J. Corman Railroad Group; Tom Murda, Director of Infrastructure Protection, and Gabrielle Treesh, CSX Transportation; Terry Garcia Crews, General Manager, LexTran, Alyce French Johnson, Transit Authority of River City (TARC); and Dave Malone, General Manager, Transit Authority of Northern Kentucky (TANK); and Transportation Cabinet officials - Asa Swan, Legislative Liaison; Tim Hazlette, Department of Safety; and Marc Williams, Department of Highways.

LRC Staff: John Snyder, Jim Roberts, and Linda Hughes

Representative Gray moved to adopt the minutes from the July 6, 2006 Committee meeting, as distributed.

Representative Miller seconded the motion, which passed by voice vote.

The first item on the Committee's agenda was a discussion regarding the organization, operation, relationship with the public and security of Kentucky's railroads. Testifying on these issues were: Anthony Reck, President, Paducah & Louisville Railroad and Chairman of the Kentucky Railroad Association; Randall Clark, President, Trans Kentucky Transportation Railroad, Inc.; Fred Mudge, Chairman, R. J. Corman Railroad Group; Asa Swan, Kentucky Transportation Cabinet; and Tom Murda, Director of Infrastructure Protection, CSX Transportation.

Mr. Reck said that there are three classifications of freight railroads, as defined by the Surface Transportation Board. Class I railroads are those with 2004 operating revenues of at least \$289.4 million. These Kentucky railroads are: BNSF, CSX, Canadian National (CN), Canadian Pacific, and Norfolk-Southern. Class I carriers comprise just one percent of the carriers, but account for 70 percent of the industry's mileage operated, 89 percent of its employees, and 93 percent of its freight revenues.

Class II (regional) railroads are those with at least 350 route miles and/or revenue between \$40 million and the Class I threshold. The Paducah & Louisville Railway Co. is the only Class II railroad operating in Kentucky.

Mr. Reck said that Class III (local linehaul) railroads operate less than 350 miles and earn less than \$40 million per year. They generally perform point-to-point service over short distances. Kentucky's Class III railroads are Fredonia Valley, Kentucky & Tennessee, Louisville & Indiana, R. J. Corman (which include R. J. Corman Central Kentucky Lines, R. J. Corman Memphis Lines, and R. J. Corman Bardstown Lines), TennKen, Western Kentucky, and Transkentucky Transportation (TTI).

Mr. Reck said that Kentucky's freight railroads are a vital force in the state and national economies and a crucial component of the state's transportation systems. More than a dozen railroads operate in Kentucky, providing service to customers across a 2,600-mile rail network that reaches all corners of the state. He noted that the majority of freight railroads in Kentucky are privately owned. And, unlike barges and trucks, railroads must build, maintain and pay state and local property taxes on their rights-of-way.

A major concern of any railroad, Mr. Reck stated, was potential legislation that address work rules of railroad employees. The position of the railroads is that these matters are best handled through negotiations with employees rather than action of the legislature.

Mr. Clark said that Kentucky's freight railroads contributed approximately \$500 million directly to the state's economy in 2004 through wages and retirement benefits. There were approximately 4,868 active Kentucky employees with a payroll of \$264 million in 2004. And that Kentucky's railroad employees are near the top of the U. S. wage scale, with average earnings of \$61,000 and another \$23,000 in fringe benefits.

Mr. Clark said that railroads are

hauling more commodities today than ever before, and that they carry 16 percent of the nation's freight by tonnage. He said the system accounts for 28 percent of total ton miles, 40 percent of intercity ton-miles, and six percent of freight value. And, since 1994, he said that short line railroads had moved over 8,900 car units of coal, which is equivalent to over one million coal haul truck loads. Also, while Kentucky ranks 24th nationally among states for number of track miles, it ranks 5th in the number of actual freight car miles.

Mr. Murda said CSX Transportation, Inc. has its major Kentucky rail yards in Louisville and Russell. With an employee base of 3,500, an annual payroll of \$160 million, which serves more than 400 industries with products such as coal, synthetic fuel, automobiles, and appliances. Its route covers 1,827 miles, with 2,000 grade crossings, with an annual 755,323 carloads of freight.

Mr. Mudge, R. J. Corman Railroad Group, stated that by year 2020 there will be a 50 percent increase in rail imports/ outports. And that railroads spend five times more for upkeep than other types of businesses.

Mr. Reck said that the Norfolk Southern Corporation (NS) has its major rail yard in Louisville. With its 1,184 employees (annual payroll of \$57.7 million) it ships a variety of freight, including coal, transportation equipment, chemicals, and allied products. It covers 431 millions, with 926 grade crossings.

Mr. Swan, Kentucky Transportation Cabinet, highlighted a new agreement reached between the railroads operating in Kentucky and the Transportation Cabinet. He said that, among his other duties, he will now be the contact person for citizens' railroad concerns. And, he said that within 30 days the Cabinet plans to have a contact person located in each district office. In closing, Mr. Swan stated that once the system is functional, the Cabinet and the railroads plan to have all questions answered within a 14 working day period.

Senator Boswell asked how many employees are employed by the short lines. Mr. Reck said that he did not have that information with him, but would be happy to supply that data.

Representative Gray asked how many tons of coal was shipped by rail. Mr. Reck stated that he did not have the exact amount; however, he knew that the two plants, one in Calvary and the other in Lake City, processed approximately 11 million tons a year.

Representative Mobley asked how many fatalities occurred last year at railroad crossings. Mr. Clark noted that he did not have that number with him, however he would be happy to forward the information to Representative Mobley. Mr. Clark noted that this was a concern of all railroads; however, he speculated that vehicular traffic was as much, if not more, to blame for railroad crossing accidents. He noted that his office window over looks a busy railroad crossing in Paris, Kentucky, and all most daily he witnesses drivers trying to beat the train to that crossing and even trying to beat the railroad crossing guards. He said that he has also witnessed a few drivers actually driving around the railroad crossing's two guards. He cautioned that

it takes a train over a mile to come to a stop.

Chairman Collins asked Mr. Reck if he was aware of previous legislation, 2006 House Bill 542. He noted that HB 542 required railroad companies to provide up to two days off, without pay, if requested by a crew member who has worked for seven consecutive days. Chairman Collins noted that although unsuccessful in becoming law, he wanted to know if the railroads had an opinion on this measure. Mr. Reck stated that the Paducah & Louisville Railway, which he is President & CEO of, normally has a six day rotation schedule; however he did caution that sometimes employees were asked to work overtime, i.e., longer than six days; however, those times were few and far in between. He said that he was unaware of what other companies' rotation schedules were.

Representative Stewart asked if Mr. Reck had the number of fatalities that have occurred so far in 2006. Mr. Reck stated no. Mr. Swan stated that he would get that information for Representative Stewart.

Representative Stewart asked if all railroads employed detectives (policemen) and the total number of such detectives. Mr. Reck stated no, not all railroads employed detectives, and in fact, the Paducah & Louisville Railway does not. Mr. Murda stated that CSX and Norfolk Southern Corporation does employ employee policemen and he would be happy to supply the number to him, but would not publicly stated that number, for security purposes.

Senator Roeding noted that Homeland Security has five levels of security alert and asked if the railroads conformed to those five levels. Mr. Reck stated that the railroads have four levels of alert, all pertaining to railroad security. If specific terrorist threats target railroads, then the security level is adjusted accordingly.

Representative Pasley noted his concern of transporting nuclear fuel through Kentucky. He commented that although there were no nuclear plants in Kentucky, there were several on the east coast and it is his understanding that there have been discussions about sending that waste to Nevada. He questioned if the east coast's nuclear waste would be transported through Kentucky. Mr. Murda stated that he did not know what means of transport, or routes, if any, would be taken if such a situation occurred. Representative Pasley asked if states' regulations could preclude the transporting through their state. Mr. Murda said that there is federal law that overrides state law for the hauling of certain commodities.

The next item on the Committee's agenda was an overview of Kentucky's funding for public transit. Testifying on this subject was: Terry Garcia Crews, General Manager, LexTran, Alyce French Johnson, Transit Authority of River City (TARC); and Dave Malone, General Manager, Transit Authority of Northern Kentucky (TANK);

Ms. Crews thanked Kentucky Legislature for allocating to TARC, TANK, and LexTran, the \$2.5 million need to match federal funds in FY 2007. She noted that, to date in FY 06, TARC's ridership is

up 8.2 percent, TANK's is up 5 percent, and LexTran's is up 34 percent. Ms. Crews said that the increase demand in ridership, the increase in demand for additional routes, and the increase in fuel costs cripple the possibility of obtaining money for matching federal funds, and thus threatens the mere existence of public transit. Not only does transit provide mobility, she stated, but it also offers much needed access to jobs, health care, and education, to name a few of its benefits.

Ms. Johnson stated that, at a glance, TARC serves 15.8 million customers, annually, has a \$62 million annual budget, 677 team members, and operates 263 buses and 9 trolleys, with 80 paratransit vehicles. TARC traveled approximately 12.1 million miles in FY 06 over its 53 routes in five counties. Ms. Johnson said TARC needs approximately 16 replacement vehicles yearly (currently the majority of its fleet is over eight years old), assistance with the higher fuel costs, \$2.5 million/ yearly to provide more service to meet demand, infrastructure improvements and customer amenities, and updated technology (its radio system is 14 years old).

Mr. Malone said that TANK serves approximately 3.7 million customers yearly, has a \$19.2 million annual budget, 263 team members, and operates 101 buses and 27 paratransit vehicles. It traveled over 4.4 million miles last year over its 27 routes in three counties. TANK's needs are 8 to 10 replacement buses and 3 to 5 paratransit vehicles, annually, match money for hybrid buses, and technology improvements (scheduling software, fareboxes, trip planning, and real time information).

LexTran, Ms. Crews said, serves 3.8 million customers yearly, has a \$12 million annual budget, 161 team members, and operates 58 buses and 30 paratransit vehicles. It traveled over 1.5 million miles last year over its 22 routes. LexTran's needs are 5 replacement buses annually, support for growth and upcoming equestrian games in 2010, more service to meet demand, passenger amenities (shelters), technology improvements (radio system, AVL, fareboxes), and continued support of toll credits and cash match.

Ms. Crews said that Kentucky ranks 36th in the nation in state funding, lower than several of its surrounding states, i.e., Illinois at 7th, Indiana at 15th, Tennessee at 19th, Ohio at 23rd, and W. Virginia at 29th.

The three transit authorities presenting testimony today (TARC, TANK, and LexTran) asked for three things - (1) dedicated funding each year to ensure that they can matched all federal money, to keep their vehicles updated, safe, and reliable and to expand service to meet future demands; (2) that the state consider funding of \$2.5 million in each year for FY 09-10 budget; and (3) that the state continue support of toll credits.

Senator Guthrie asked the reason LexTran had increased by such a large number. Ms. Crews said LexTran had expanded its service area and added 32 percent more route miles.

Representative Marcotte asked if TANK was considering expanding its routes do to the suspension bridge's

closing restoration for one year. Mr. Malone stated that there had been some discussion but no decisions had been made at this time.

Senator Tapp asked if any of the transit authorities were using bio-diesel. Ms. Crews said that LexTran has a three month pilot program in place using a 10% blend in five of their cars, and if successful they will then use the blend in five additional cars, and continue the process. Mr. Malone stated that TANK had abandoned such a pilot program several years ago due to the high price of the fuel; however, since bio-diesel has become cost competitive, he noted that TANK is considering another such pilot program.

Senator Roeding commented studies have shown that a 20% bio-diesel fuel consumption could be used in automobiles without any modification to that vehicle.

The last item on the Committee's agenda was the review of Executive Order 2006-839. Commissioner Tim Hazlette, Department of Safety and Commissioner Marc Williams, Department of Highways, Kentucky Transportation Cabinet, spoke on this issue. After a brief discussion, Senator Boswell moved to accept Executive order 2006-839. Representative Miller seconded the motion, which passed by voice vote.

Before the Committee meeting adjourned, Senator Boswell informed Commissioner Williams of a situation in McClean County whereby roads had been damaged by the hauling of coal by a particular coal company who had since gone out of business. Senator Boswell stated there was a bond in place to repair the road used by the company; however the bonding company refused to pay for all of the damage and McClean County is now in litigation with that bonding company. Senator Boswell asked if there was a way to preclude that bonding company from doing future business in Kentucky and was "due process" by the courts the only alternative for the County. Commissioner Williams said that the state does not penalize companies for such actions, and unfortunately litigation was the County's only alternative.

With no further business before the Committee, the meeting adjourned at 2:55 p.m.

Capital Projects and Bond Oversight Committee Minutes August 22, 2006

The Capital Projects and Bond Oversight Committee met on Tuesday, August 22, 2006, at 1:00 PM, at the Centralized Laboratory Facility in Frankfort, Kentucky. Senator Elizabeth Tori, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Elizabeth Tori, Co-Chair; Representative Mike Denham, Co-Chair; Senator Tom Buford; and Representatives Robert Damron and Paul Marcotte.

Guests testifying before the Committee: Major Wayne Mayfield and Laura Sudcamp, Kentucky State Police; Sandy Williams, Kentucky Infrastructure Authority; Terri Fugate, Office of Financial Management; John Hicks, Governor's Office for Policy and Management; Jim

Abbott and Nancy Brownlee, Finance and Administration Cabinet; Tony Wheatley, Department of Fish and Wildlife Resources; John Covington, Kentucky Infrastructure Authority; and John Egan, Frost, Brown, and Todd.

LRC Staff: Mary Lynn Collins, Nancy Osborne, Pat Ingram, Bart Hardin, Kristi Culpepper, and Debbie Rodgers.

Senator Tori called on Ms. Mary Lynn Collins, Committee Staff Administrator, to review correspondence and information items included in members' folders. Ms. Collins said the folders included correspondence submitted by the University of Louisville regarding the purchase of unbudgeted scientific research equipment; correspondence from Deborah Clayton, Commissioner, Department of Commercialization and Innovation, reporting two grants exceeding \$400,000 from the High Tech Investment Pool for the Center for Technology Enterprise, Inc., DBA ConnectKentucky and MetaCyte Business Lab LLC; and the Kentucky Lottery Corporation's monthly financial report for June 2006.

Ms. Collins said two information items were also included in members' folders: a staff update on various capital projects and the updated monthly and weekly debt issuance calendar.

Ms. Collins briefly discussed one additional item of correspondence, an article from the Bond Buyer discussing a recent decision by the Kentucky Supreme Court. The Court has decided not to consider a case in which a lower court found that the state's method of taxing out of state bonds was unconstitutional. She said this case could have implications on the state's borrowing costs.

Senator Buford made a motion to approve the minutes of the July 18, 2006 meeting. The motion was seconded by Representative Damron and approved by voice vote.

Senator Tori introduced Major Wayne Mayfield, Commander, Kentucky State Police (KSP) Forensic Laboratory.

Major Mayfield welcomed the Committee members and staff to the Central Lab. He said KSP occupies a small portion of the laboratory facility, and at the conclusion of the regular business meeting, he would conduct a tour of the KSP forensic laboratory. He then introduced various other KSP Central Laboratory staff in attendance at the meeting today.

Senator Tori introduced Gary Cloyd, Assistant Director of Facilities Management, Kentucky Community and Technical College System (KCTCS), to discuss a project report from KCTCS for the Gateway Community and Technical College. Joining Mr. Cloyd at the table was Rebecca Weatherford, Director of Property Management, KCTCS.

Mr. Cloyd reported the development of a land lease relating to property located on the Boone County campus (Mt. Zion Road) at the Gateway Community and Technical College with the Brighton Recovery Center. He said the Brighton Recovery Center is a subsidiary of Brighton Center Inc. in Newport, a non-profit charitable organization whose mission is to create opportunities for individuals and families to reach self-sufficiency throughout the communities of Northern

Kentucky. Brighton Recovery Center plans to construct a women's recovery center, which is part of Governor Fletcher's Recovery Kentucky initiative to build housing recovery centers across the state. The structure will consist of a two-story, 40-unit transitional supportive housing development for homeless women or those at risk of becoming homeless.

Mr. Cloyd said the lease term will be for 99 years with the base rent of \$1 per year, and the Brighton Recovery Center will be responsible for the payment of any expenses related to the lease and all construction related costs. He said the property being leased is separated from the remainder of the campus by a small strip of privately-owned property, and would not have supported any construction of a large campus or college facility.

Representative Denham asked about the progress of the construction of other recovery centers throughout the state. Mr. Cloyd said that although the Recovery Center program is not a KCTCS program, it was his understanding that there is one recovery center in Christian County and they have announced a groundbreaking for that center.

Representative Marcotte noted that construction of a recovery center was planned for Kenton County, but they have not been able to get approval. He asked if the Boone County recovery center was originally intended for construction in Kenton County. Mr. Cloyd responded that this recovery center was not intended for construction in Kenton County. The recovery center for men was to be located in Covington, but they have not been able to get approval. He explained that the Governor's plan is to construct two recovery centers in each congressional district, one for men and one for women.

Representative Marcotte asked if objections had been raised to the Gateway site. Mr. Cloyd said to his knowledge, there was no controversy associated with this project.

In response to a question from Senator Tori, Mr. Cloyd said this project will have no impact on the implementation of the master plan for the development of the Mt. Zion campus. He said the parcel being used was donated to KCTCS by a corporation. The property is heavily wooded rough terrain with a few small areas suitable for construction, but nothing that could sustain a large college facility. He said this property was not included in KCTCS's master plan, except as green space or a wooded area. This item required no further Committee action.

Senator Tori asked Mr. John Hicks, Deputy State Budget Director, Governor's Office for Policy and Management, and Mr. Jim Abbott, Commissioner, Department for Facilities and Support Services, to present the Finance Cabinet's monthly report to the Committee. Mr. Hicks reported a \$5,427,760 federally funded scope increase for the Paducah Joint Use Readiness Center project. This project was approved in the 2006-08 budget for \$11,400,000 (federal funds).

Mr. Hicks said this center will replace the existing armory and accommodate the combination of two reserve centers. The scope increase is needed due to higher cost estimates provided by the Department of Defense and the Base Realignment and

Closure Commission.

Senator Buford made a motion to approve the scope increase. The motion was seconded by Representative Damron and passed by unanimous roll call vote.

Mr. Hicks next reported a \$172,500 restricted fund scope increase for the Kentucky Electronic Workplace for Employment Services (KEWES) Siebel Upgrade. The restricted funds are a combination of Unemployment Insurance Penalty and Interest funds (\$22,500) and unbudgeted Service Capacity Upgrade funds (\$150,000). The scope increase is needed due to updated estimates.

Representative Denham made a motion to approve the scope increase. The motion was seconded by Representative Marcotte and approved by unanimous roll call vote.

Mr. Hicks next reported a Deferred Maintenance Pool project for the Department of Military Affairs titled Emergency Operations Center HVAC Upgrade project. The scope of the project is \$657,000, which exceeds the \$600,000 threshold for reporting capital projects to the Committee. Mr. Hicks said a combination of funds is being used to finance this project: Department of Military Affairs Deferred Maintenance Pool funds (\$351,000) and federal funds (\$306,000). The scope increase is needed to meet the low bid.

Senator Tori asked what is the expected useful life of this upgrade. Mr. Abbott said the useful life is approximately 25 years for the pumps, compressors, and new boilers being installed.

The last item Mr. Hicks reported was an allocation of \$4,685,000 from the Department of Fish and Wildlife Resources' Land Acquisition Pool for the acquisition of approximately 4,200 acres in Carlisle and Hickman counties. The land is known as the Westvaco Wildlife Management Area.

Representative Denham asked what the Department plans to utilize this land for. Mr. Tony Wheatley, Department of Fish and Wildlife Resources, said the property will be retained as a wildlife management area.

In response to questions from Representative Denham, Mr. Wheatley said the property will be open all applicable seasons for hunting, and the Department plans to increase the water fowl habitat on the property.

In response to a question from Representative Damron, Mr. Hicks said they did not study the fiscal impact to school districts from the loss of tax revenue for this tract being removed from the tax base. Representative Damron said this is always a concern of his when the state buys such a huge piece of property and removes it from the tax base.

Senator Tori said no action was required for these two projects.

In response to an earlier question about construction of facilities under the Governor's Recovery Kentucky initiative, Mr. Abbott said there are actually three projects moving forward. He explained that the Justice Cabinet has conveyed a portion of its juvenile detention center property back to the original donor, the McCracken County Fiscal Court, for the county to proceed with a project similar to what KCTCS reported today at the Gateway

Community and Technical College. The third project is the one in Christian County.

Senator Tori then introduced Ms.

Nancy Brownlee, the Director for the Division of Real Properties. Ms. Brownlee first presented a lease renewal report for the Department for Public Advocacy in Franklin County (PR-3764). She said there were two best and final proposals, and the existing lessor's proposal offered the most economical offer at an annual cost of \$277,767 (19% increase) for a term of five years.

The next lease renewal report Ms. Brownlee presented was a lease renewal for the Department of Agriculture in Franklin County. At the end of the lease expiration, the lessor asked for a rate increase. The project was advertised and the existing lessor submitted the only best and final proposal. The lease is being renewed at an annual cost of \$248,156 (21%) for a term of five years. She said Real Properties staff were unsuccessful in its attempts to negotiate a lower rate with the lessor.

Ms. Brownlee noted that these two leases have been flagged for advertisement when they come up for renewal next year. It is anticipated that the rental market will change when the renovated State Office Building comes on-line.

In response to questions from Representative Denham, Ms. Brownlee said the market for office space in Franklin County is tight right now. However, the State Office Building reopens in Fall 2007, and agencies will be relocated from leased space into state-owned space. Improvements to the state-owned Jones Building will also be complete in Fall 2007. Therefore, more competitive prices for leased office space should occur. She said in the meantime, they are seeing increased costs for leased office space.

Representative Damron noted these two leases do not expire until 2011. He asked if the leases have a cancellation clause. Ms. Brownlee explained that the lessor offered a term of five years, but the lease is renewed on an annual basis. She said also included in the lease is a provision for a 30-day cancellation clause.

Representative Denham made a motion to approve the two lease renewal reports. The motion was seconded by Representative Damron and passed by unanimous roll call vote.

The last item Ms. Brownlee reported were six lease modifications of less than \$50,000 each for the period of April through June 2006. As a result of these modifications, there was a net savings to the state of \$146,508. No action was required for this report.

Next, Mr. John Covington, Treasurer, Kentucky Infrastructure Authority (KIA), reported three new KIA loan requests. The first loan Mr. Covington reported was a Fund A loan request for the Regional Water Resource Agency in Daviess County. The Water Authority is requesting a \$7,624,500 Fund A loan to fund improvements to the wastewater collection system.

Senator Buford made a motion to approve the Fund A loan. The motion was seconded by Representative Marcotte and approved by unanimous roll call vote.

Mr. Covington next reported a \$400,000 Fund A loan for the Northern

Madison County Sanitation District. The proceeds will be used to fund the construction of a gravity sewer collection system.

Senator Buford asked who the engineer is for this project. Mr. Covington said Nesbitt Engineering is the engineer.

Representative Marcotte made a motion to approve the Fund A loan. The motion was seconded by Representative Denham and passed by unanimous roll call vote.

The last KIA loan request reported was a \$640,000 Fund B loan to the City of Guthrie in Todd County. The proceeds will be used to refinance a Kentucky Area Development District loan.

Representative Marcotte made a motion to approve the Fund B loan. The motion was seconded by Senator Buford and passed by unanimous roll call vote.

Mr. Covington said members' folders included a report from KIA reporting line-item Coal/Tobacco Development Grants approved in previous sessions of the General Assembly. Senator Tori said no further action was required on these projects.

The next report was provided by Ms. Terri Fugate, Deputy Executive Director, Office of Financial Management (OFM). She said OFM submitted one new bond issue report to the Committee this month: Kentucky Economic Development Finance Authority (KEDFA) Medical Center Revenue Improvement Bonds, Series 2006 (Ashland Hospital Corporation, d/b/a King's Daughters Medical Center project). The proceeds from this bond issue are anticipated to be \$40,000,000, and will be used to finance the expansion, renovation, and equipping of the Ashland, Kentucky hospital facility, including the addition of two floors to the Heart and Vascular Center, construction of an Outpatient Imaging Center, expansion of critical care facilities, and extension of outpatient services. She introduced John Egan, Bond Counsel from Frost, Brown, and Todd.

Representative Denham asked if King's Daughters Medical Center (KDMC) is privately owned. Mr. Egan said KDMC is a 501 (c) (3), non-profit corporation that was created years ago and is based in Ashland. He noted that KDMC is subject to all state statutes governing local hospitals.

Representative Damron asked if KDMC needed a Certificate of Need (CON) for this project. Mr. Egan said as he understood it, they are not adding any beds to the project. The Cardiac and Vascular Center is already under construction and they are adding two floors to the project. They are also expanding their outpatient imaging center. He said because they are not increasing their number of beds, he was not sure they needed to go through the CON process for this project.

In response to a question by Senator Tori, Mr. Egan said the hospital has approximately 400 beds now. It serves both the Kentucky and West Virginia markets.

Representative Denham made a motion to approve the new bond issue. The motion was seconded by Representative Marcotte and passed by unanimous roll call vote.

Ms. Fugate then presented one

follow-up report (approval letter) for a previously approved bond issue: University of Kentucky General Receipts Bonds, 2006 Series A, \$24,325,000. Senator Tori said the Committee approved this bond issue at a previous meeting, and no further action was required.

Ms. Fugate presented three new school bond issues with School Facilities Construction Commission (SFCC) debt service participation: Anderson County, Kenton County, and Leslie County.

Senator Buford made a motion to approve the school bond issues. The motion was seconded by Representative Marcotte and passed by unanimous roll call vote.

Ms. Collins said there were three locally-funded school bond issues submitted to the Committee for review this month: Adair County, Green County, and the Kentucky Interlocal School Transportation Association. She said all disclosure information has been filed, and no further action on the bond issue is required.

Senator Buford asked if he could make a few observations about the previously discussed KEDFA bond issue for the Ashland Hospital. He noted KDMC is the only hospital in Ashland, and because of this lack of competition, the state cannot negotiate better pricing for its health insurance plans. He said as the size of the hospital increases, we lessen the ability to create some competition to save the state budget a lot of money. He said the premiums may be considerably higher as a result, and this is something the Committee should keep in mind when approving these projects. He said as KDMC makes larger investments there, it certainly weighs against a CON being issued for another hospital in order to create more competitive pricing for insurance premiums. Senator Buford noted that the Ashland hospital has some of the highest rates in the state.

Representative Damron added that as KDMC continues to expend additional resources in that facility, that gives them even more reason to raise the rates. He said this is a substantial expansion of KDMC's debt structure, and the reason they would have to charge more. He said he hoped these types of activities do require a CON, because small communities are required to obtain a CON to get a hospital where they may need one, and it seems to be somewhat unfair.

Senator Tori said this is something the Committee should be mindful of as it reviews these projects that are going to be forthcoming across the state.

Senator Tori then turned the meeting over to Representative Denham to make a special presentation. Representative Denham said Mary Lynn Collins, the Staff Administrator for the Capital Projects and Bond Oversight Committee, will be retiring from the Legislative Research Commission effective August 31, and today would be her last meeting. He then read a resolution in honor of her long service to the General Assembly.

Senator Tori congratulated Ms. Collins on her retirement, and also recognized Nancy Osborne, who will be the new Committee Staff Administrator.

Ms. Collins said she has been with the Legislative Research Commission since

1979, and has enjoyed working with the Committee. She says she has been proud to be part of the oversight process for authorized capital projects.

With there being no further business, Representative Damron made a motion to adjourn the business portion of the meeting. The motion was seconded by Senator Buford, and the meeting adjourned at 2:00 p.m. A tour of the KSP Forensic Laboratory followed.

**Government Contract Review Committee
Committee Minutes
September 12, 2006**

The Government Contract Review Committee met on Tuesday, September 12, 2006, at 9:00 AM, in Room 171 of the Capitol Annex. Representative Brent Yonts, Chair, called the meeting to order, and the secretary called the roll.

Present were:
Members: Senator Katie Stine, Co-Chair; Representative Brent Yonts, Co-Chair; Senators Carroll Gibson, Ernesto Scorsone, and Elizabeth Tori; Representatives Jesse Crenshaw, Brad Montell, and Kathy Stein.

Guests: Tim Pollard, Connie Lester, Gary Freeland, Linda Pittinger, and James Shane.

LRC Staff: Michael Meeks, Karen Crabtree, Geri Grigsby, Brad Metcalf, Kim Eisner, and Jennifer Wilson.

A motion was made by Senator Scorsone to approve the Minutes of the August 9, 2006, meeting of the committee. Representative Montell seconded the motion, which passed unanimously.

A motion was made by Senator Scorsone to consider as reviewed, the Additions List, with exception of those items selected for further review by members of the committee. Representative Crenshaw seconded the motion, which passed without objection.

A motion was made by Senator Scorsone to consider as reviewed, the Corrections List, with exception of those items selected for further review by members of the committee. Representative Crenshaw seconded the motion, which passed without objection.

A motion was made by Senator Scorsone to consider as reviewed, the Personal Service Contract List, with exception of those items selected for further review by members of the committee. Representative Crenshaw seconded the motion, which passed without objection.

A motion was made by Senator Scorsone to consider as reviewed, the Personal Service Contract Amendment List, with exception of those items selected for further review by members of the committee. Representative Crenshaw seconded the motion, which passed without objection.

A motion was made by Senator Scorsone to consider as reviewed, the Memoranda of Agreement List, with exception of those items selected for further review by members of the committee. Representative Crenshaw seconded the motion, which passed without objection.

THE FOLLOWING PERSONAL SERVICE CONTRACTS

WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS:

DLZ Kentucky Incorporated, 0600001560.

ATTORNEY GENERAL, OFFICE OF THE:

Tichenor and Associates, 0600000851.

AUDITOR OF PUBLIC ACCOUNTS, OFFICE OF THE:

Mountjoy & Bressler, LLP, 0600001448; Tichenor and Associates, 0600001449.

CORRECTIONS, DEPARTMENT OF: April M. Roberts-Traywick, 0600000519.

CRIMINAL JUSTICE TRAINING, DEPARTMENT OF:

Law Enforcement Services, 0600001312.

DISABILITY DETERMINATION SERVICES, DEPARTMENT OF:

James T. Ramsey, 0600001736; James T. Ramsey, 0600001881; Diosdado Irlandez, 0600001882; Dr. William Underwood, 0600001883; Jorge Eloy Baez Garcia MD, 0600001884; Bruening & Associates, 0600001885.

EASTERN KENTUCKY UNIVERSITY: Ellen C. Williams & Associates, LLC, 07-023.

EDUCATION PROFESSIONAL STANDARDS BOARD:

Boehl Stopher and Graves, 0600001085; Courtney T. Baxter, 0600001376; Synthesis Technology Assessment, 0600001609; Cynthia C. Grohmann, 0600001775; Arnold Hack, 0600001805.

EDUCATION, DEPARTMENT OF:

Ephraim McDowell, 0600000707; National Center for Family Literacy, 0600001285; Literacy Investment for Tomorrow-Missouri, 0600001287; John Beisel, 0600001292; Lori Payne Eisele, Attorney, 0600001383; Tipton, Susan Gormley, 0600001418; John Llewellyn, 0600001422; Maureen Hall, 0600001425; Jan Marie Fritz, 0600001426; Mike Wilson, 0600001427; Janet Chapman, 0600001428; Melanie Tyner Wilson, 0600001429; Multi-Virtual High School, 0600001494; Multi-Scholastic Audit, 0600001529; Puckett, Paul Wayne, 0600001711; Donna Tackett, 0600001777; Veronica Taylor, 0600001778; Jack B. Musgrave, 0600001779; Marilyn Altman, 0600001780; Elizabeth Sinor, 0600001781; Carol Higdon, 0600001782; Randell Harrison, 0600001783.

ENVIRONMENTAL AND PUBLIC PROTECTION CABINET:

Teresa Clements, 0600000650; Marshall Miller and Associates, 0600000888; EDM Consulting, LLC, 0600000918.

FISH & WILDLIFE, DEPARTMENT OF: Dynamic Solutions Group, 0600001516.

GOVERNOR'S OFFICE FOR TECHNOLOGY:

Sanborn Solutions, LLC, 0600000783; Open GIS Consortium Incorporated, 0600001379; Open GIS Consortium Incorporated, 0600001385.

INFRASTRUCTURE AUTHORITY: Kentucky Rural Water Associates, 0600001523; Hawkins Delafield & Wood,

LLP, 0600001628.
 KENTUCKY BOARD OF LICENSURE FOR MASSAGE THERAPY:
 Marilyn Gossett, 0600000608.
 KENTUCKY HOUSING CORPORATION:
 Middleton Reutlinger, 200710; Stierle and Stierle, 200712.
 MARRIAGE AND FAMILY THERAPISTS, BOARD OF LICENSURE FOR:
 John P. Sohan, 0600000680.
 MILITARY AFFAIRS, DEPARTMENT OF:
 Law Sr., Timothy D., 0600000507; Thomas P. Pendleton, Jr., 0600000599; Edward Hood Drury, 0600000603; Edgar Satchwell, 0600000604; Joe W. Warren, 0600000605; Life Designs Behavioral Health Center, LLC, 0600001154; Erica L. Owens, 0600001578.
 MURRAY STATE UNIVERSITY:
 Edutech International, 011-07-2.
 NATURAL RESOURCES & ENVIRONMENTAL PROTECTION:
 Engineering Consulting Service, 0600001545; Tichenor and Associates, 0600000135; Premier Drug Testing, 0600001039; Northern Kentucky Urban Community Forest Council, 0600001444; Kentucky Arborist's Association, 0600001445; Kentucky Association Consulting Foresters, 0600001481.
 PARKS, DEPARTMENT OF:
 Dinsmore & Shohl, LLP, 0600000462; Signature Incorporated, 0600000501.
 PERSONNEL-OFFICE OF THE SECRETARY:
 Moore Stephens Potter, LLP, 0600001761.
 PSYCHOLOGISTS, BOARD OF EXAMINERS OF:
 Dwight Auvenshine, 0600000534; Jane F. Brake, PhD, 0600000536.
 PUBLIC HEALTH, DEPARTMENT FOR:
 Health Kentucky, 0600001311; Liberty District Ralph Bunche Community Center, 0600001320.
 PUBLIC PROTECTION, DEPARTMENT OF:
 GAB Robins North America Incorporated, 0600001153.
 REAL ESTATE COMMISSION:
 Kentucky Real Estate, 0600001452.
 STATE BOARD FOR PROPRIETARY EDUCATION:
 21st Management Corporation, 0600000551.
 STATE POLICE, DEPARTMENT OF:
 Alpha Source Computer Support, 0600001893.
 TRANSPORTATION CABINET:
 DLZ Kentucky Incorporated, 0600000856; Quest Engineers Incorporated, 0600000921; William R. Cox, 0600001314; Claude W. Galloway, Jr., 0600001316; Fuller Mossbarger Scott, 0600001465; Wilbur Smith Associates Incorporated, 0600001467; Third Rock Consultants, LLC, 0600001470; QK4, 0600001472; W M B Incorporated, 0600001473; JL Lee Engineering, LLC, 0600001477; QK4, 0600001478; Wilbur Smith Associates Incorporated, 0600001479; T H E Engineers Incorporated, 0600001480; American Consulting Engineers, PLC, 0600001482; Parsons Brinckerhoff Quade and Douglas, 0600001483; HMB Professional Engineers Incorporated, 0600001510; American Consulting Engineers, PLC, 0600001512;

Vaughn and Melton, 0600001518; Greenman-Pedersen Incorporated, 0600001520; H A Spalding Incorporated, 0600001522; W M B Incorporated, 0600001526; Municipal Engineering Company, 0600001528; GRW Engineers Incorporated, 0600001533; Woolpert Design Build, LLC, 0600001556; Linebach Funkhouser Incorporated, 0600001610; Johnson, Stephen R., 0600001643; Burgin, Russell W., PLLC, 0600001645; Stout Farmer & King, PLLC, 0600001646; Turner and Oneill, 0600001649; Whonsetler and Johnson, PLLC, 0600001651; Pedley Zielke and Gordinier, 0600001652; Corradino Group, 0600001687; Wilbur Smith Associates Incorporated, 0600001701; American Consulting Engineers, PLC, 0600001703; E A Partners, PLC, 0600001849.
 UNIVERSITY OF KENTUCKY:
 Ekhooff, Ochenkoski, Polk Architects, A071070.
 UNIVERSITY OF LOUISVILLE:
 JRA Architects, 07-018; Multi-Legal, 07-019; Creative Alliance, 07024.
 VETERINARY EXAMINERS, BOARD OF:
 James F. Boyd, 0600000560; C. Loran Wagoner, 0600000765.
 WESTERN KENTUCKY UNIVERSITY:
 Neace Lukens Incorporated, 350607; Taylor-Whitney Architects, 370607; Digital Design Advertising, LLC, 400607; Crowe Chizek and Company, 440608.
 WORKERS COMPENSATION FUNDING COMMISSION:
 Goldman Sachs and Company, 0600000770; Hilliard Lyons Asset Management, 0600000967; Alliance Capital Management, LP, 0600000969; Western Asset Management, 0600000974; Cramer Rosenthal McGlynn, LLC, 0600000995.
 THE FOLLOWING PERSONAL SERVICE CONTRACT AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:
 AUDITOR OF PUBLIC ACCOUNTS, OFFICE OF THE:
 Berger and Company CPA, 0600001390.
 EDUCATION, DEPARTMENT OF:
 Michael Jude, 0600000651.
 INFRASTRUCTURE AUTHORITY:
 Peck Shaffer and Williams, LLP, 0600001562.
 KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION:
 Frost Brown Todd, LLC, 06-033.
 UNIVERSITY OF KENTUCKY:
 GBBN Architects Incorporated, A061080.
 THE FOLLOWING MEMORANDA OF AGREEMENT WERE REVIEWED WITHOUT OBJECTION:
 AGRICULTURE, DEPARTMENT OF:
 Multi, 0600001567.
 CORRECTIONS, DEPARTMENT OF:
 Chrysalis House Incorporated, 0600001538.
 EDUCATION, DEPARTMENT OF:
 Treasurer Scott County Board of Education, 0600000253; Treasurer Grant County Board of Education, 0600000505; Treasurer Metcalfe County Board of Education, 0600001014; Treasurer Hardin County Board of Education, 0600001021; Treasurer Spencer County Board of Education, 0600001035; Treasurer Clinton

County Board of Education, 0600001050; Treasurer Fleming County Board of Education, 0600001058; Carter County Board of Education, 0600001060; West Kentucky Education Cooperative, 0600001063; Barren County Board of Education, 0600001172; Treasurer Bell County Board of Education, 0600001180; Treasurer Breathitt County Board of Education, 0600001184; Treasurer Campbellsville, 0600001187; Treasurer Clinton County Board of Education, 0600001188; Treasurer Cumberland County Board of Education, 0600001190; Fayette County Treasurer, 0600001199; Treasurer Franklin County Board of Education, 0600001202; Treasurer Glasgow Independent Board of Education, 0600001204; Owen County Board of Education, 0600001206; Treasurer Jefferson County Board of Education, 0600001255; Treasurer Washington County Board of Education, 0600001388; Fayette County Treasurer, 0600001396; Treasurer Graves County Board of Education, 0600001401; Treasurer Jessamine County Board of Education, 0600001405; Treasurer Lawrence County Board of Education, 0600001407; Treasurer Marshall County Board of Education, 0600001408; Treasurer Jessamine County, 0600001415; Fayette County Treasurer, 0600001436; Treasurer Jessamine County, 0600001488; Treasurer Williamsburg Independent Board of Education, 0600001541; Treasurer Owensboro Independent Board of Education, 0600001605; Treasurer Adair County Board of Education, 0600001817; Treasurer Jessamine County Board of Education, 0600001820; Treasurer Marion County Board of Education, 0600001822.
 ELECTIONS, BOARD OF:
 Kentucky Disabilities Coalition, 0600001391.
 ENVIRONMENTAL AND PUBLIC PROTECTION CABINET:
 EPPC Division of Conservation, 0600000664; Abandoned Mine Lands, 0600000674; Bullitt County, 0600000678; Nature Conservancy, 0600000681; Kentucky Onsite Wastewater Association, 0600000684; Kentucky Waterways, 0600000686; Daniel Boone National Forest, 0600000688; Lexington Fayette Urban, 0600000731; Lexington Fayette Urban, 0600000743; City of Georgetown, 0600000790; Abandoned Mine Lands, 0600000892; NREPC Division of Conservation, 0600000902; Letcher County Water and Sewer, 0600000930; City of Winchester, 0600000962; City of Georgetown, 0600001161; City of Georgetown, 0600001318; North Kentucky Independent District Health, 0600001382; US Department of Interior Geological Survey, 0600001403.
 FISH & WILDLIFE, DEPARTMENT OF:
 Kenlake Marina Corporation, 0600001386.
 GOVERNOR'S OFFICE FOR LOCAL DEVELOPMENT:
 Louisville Metro Government, 0600001138; Barren River Area Development District, 0600001319; Big Sandy Area Development District, 0600001326; Bluegrass Area Development District, 0600001334; Buffalo Trace Area Development District, 0600001335; Cumberland Valley Area Development District, 0600001337; Gateway Area

Development District, 0600001340; Kentucky River Area Development District, 0600001342; Lake Cumberland Area Development District, 0600001347; Northern Kentucky Area Development District, 0600001349; Pennyriple Area Development District, 0600001350; Purchase Area Development District, 0600001351; Knox County Fiscal Court, 0600001381; City of Cadiz, 0600001420; Henry County Fiscal Court, 0600001431; City of Princeton, 0600001438; City of Campbellsburg, 0600001451; Casey County Fiscal Court, 0600001457; City of Hanson, 0600001462; Henderson County Fiscal Court, 0600001463; City of Pineville, 0600001536; Owsley County Fiscal Court, 0600001555; Harlan County Fiscal Court, 0600001565; Fulton County Fiscal Court, 0600001575; Lewis County Fiscal Court, 0600001614; Eastwood Fire District, 0600001618; Lewis County Fiscal Court, 0600001619; Garrard County Fiscal Court, 0600001620; Presbyterian Child Welfare Agency, 0600001625; Casey County Fiscal Court, 0600001633; City of Covington, 0600001635; City of Olive Hill, 0600001638; City of Wilmore, 0600001640; Webster County Fiscal Court, 0600001772; Forward Quest Incorporated d/b/a Vision 2015, 0600001808; City of Augusta, 0600001861; City of Beaver Dam, 0600001456.
 HEALTH AND FAMILY SERVICES, CABINET FOR:
 Seven Counties Services, 0600001359.
 HISTORICAL SOCIETY, KENTUCKY:
 City of Hodgenville, 0600001559.
 LOCAL GOVERNMENT, DEPARTMENT FOR:
 City of Augusta, 0600001511; Breckinridge County Fiscal Court, 0600001513.
 MENTAL HEALTH AND MENTAL RETARDATION, DEPARTMENT FOR:
 Kentucky State Police Headquarters, 0600001740.
 MILITARY AFFAIRS, DEPARTMENT OF:
 Multi-CSEPP, 0600000815; Multi-CSEPP, 0600000817; Multi-Title III, 0600001424; Multi, 0600001469.
 NATURAL RESOURCES & ENVIRONMENTAL PROTECTION CABINET:
 Letcher County Fiscal Court, 0600000316; Letcher County Fiscal Court, 0600000319; Department of Fish and Wildlife, 0600000537; City of Hazard, 0600001026; DMA Air Transportation Division, 0600001317; Pike County Fiscal Court, 0600001423.
 WORKFORCE INVESTMENT, OFFICE OF:
 Kentucky Revenue Cabinet, 0600000838; Independence Place, 0600001809; Best Incorporated, 0600001816; Disabilities Coalition of Northern, 0600001819; Pathfinders for Independent Living, 0600001828.
 THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE SELECTED FOR FURTHER REVIEW:
 Claude W. Galloway, Jr., 0600000929; Mary McClinton Clay, 0600000931; Paul R. Houlihan, 0600000932; McDonogh, Paul E., 0600000936; Donald W. Wright, 0600000937; Tammy L. Barnes,

0600000938; Shouse, Belinda, 0600000940; J. Michael Jones, 0600000941; Loren C. Huff, 0600000942; Allgeier Company, 0600000943; Curd Professional Appraisal Service, 0600000945; Edward L. Beck, 0600000946; William R. Cox, 0600000947; W. Clement Russell, 0600000948; Integra Realty Resources Kentucky-Southern Indiana, 0600000949; G. Herbert Pritchett, 0600000950; Cundiff Real Estate, 0600000951; Hood Appraisal Company, 0600000952; Williams Appraisal Company, 0600000953; W and W Appraisals, 0600000956; Berkley Appraisal Company, 0600000957; McPherson Appraisal Service Incorporated, 0600000958; Philip J. Tamplin, Jr., 0600000959; Appco Appraisal Service Incorporated, 0600000960; Steven D. Adams Real Estate Service, 0600000961; C. Ron Smith Appraisals, LLC, 0600000976; Murphy Napier and Company, 0600000978; Grabeel, J C, 0600000980; John D. Lyons, 0600000981; Intequal-Duncan Appraisal, 0600000982; Dixon Nunnery, 0600000983; Davidson Appraisal Service Incorporated, 0600000984; Brangers Appraisal Company, 0600000985; Waldrop and Associates, 0600000986; Lewman Miller Appraisal Company, 0600000988; Stephen G. Raleigh, 0600000992; Matriks Management, 0600000994; C. Marty Michals, 0600000996; Baumgardner and Associates, 0600000997; Prater Willie, 0600000998; Thomas Ray Garner, 0600000999; Hildreth Appraisal Company, 0600001000; Thurston Freeman, 0600001002; Robert R. Knight, 0600001003; Darval E. Rash, 0600001004; Johnson True and Guarnieri, LLP, 0600001109; Fuller Mossbarger Scott, 0600001129; HMB Professional Engineers, 0600001131; Cundiff Real Estate, 0600001167; Donald W. Wright, 0600001181; C. Marty Michals, 0600001186; Claude W. Galloway, Jr., 0600001189; Berkley Appraisal Company, 0600001191; Intequal-Duncan Appraisal, 0600001192; Steven D. Adams Real Estate Service, 0600001193; Integra Realty Resources Kentucky-Southern Indiana, 0600001194; Edward L. Beck, 0600001195; Davidson Appraisal Service Incorporated, 0600001196; Waldrop and Associates, 0600001197; Kentucky Field Service Realty, 0600001200; Mary McClinton Clay, 0600001201; Hood Appraisal Company, 0600001207; William R. Cox, 0600001209; G. Herbert Pritchett, 0600001210; Darval E. Rash, 0600001211; Prater Willie, 0600001212; Brangers Appraisal Company, 0600001213; Lewman Miller Appraisal Company, 0600001214; Appco Appraisal Service Incorporated, 0600001217; George Joseph Hays, 0600001221; Stephen G. Raleigh, 0600001223; Murphy Napier and Company, 0600001225; Thurston Freeman, 0600001226; Dixon Nunnery, 0600001227; McDonogh, Paul E., 0600001228; Allgeier Company, 0600001231; Hildreth Appraisal Company, 0600001232; Baumgardner and Associates, 0600001233; W and W Appraisals, 0600001235; Curd Professional Appraisal Service, 0600001236; Tammy L. Barnes, 0600001237; J. Michael Jones, 0600001238; Shouse, Belinda,

0600001257; Paul R. Houlihan, 0600001259; Philip J. Tamplin, Jr., 0600001261; McPherson Appraisal Service Incorporated, 0600001262; Robert R. Knight, 0600001263; John D. Lyons, 0600001264; Wade Engineering, 0600001266; W. S. Gulick, 0600001267; Ray J. Yaden, 0600001271; Cleveland D. Moore, 0600001273; James E. Tramel, 0600001275; Cardinal Engineering, 0600001276; Douglas E. Smith, 0600001277; Whitt Engineering, 0600001278; Matriks Management, 0600001279; Donan Jr., John G., 0600001280; Vaughn and Melton, 0600001281; Barber Banaszynski, 0600001587; Borowitz and Goldsmith, PLC, 0600001588; Bowles Rice McDavid Graff, 0600001594; Worland Jr., Edward, 0600001595; Fox Wood Wood and Estill, 0600001596; Frank Miller, Jr., 0600001597; Gault Marshall and Miller, PLLC, 0600001598; Gess Mattingly, 0600001600; Hazelrigg and Cox, 0600001603; Hurt Crosbie and May, 0600001604; Johnson, Louis, 0600001608; Johnson and Repasky, PLLC, 0600001611; Kari F. Williams, 0600001613; Kerrick Stivers and Coyle, PLC, 0600001615; L Forgy & Associates, PLLC, 0600001616; Logan and Gaines, 0600001617; Casey Bailey & Maines, PLLC, 0600001624; Reynolds, Lori M., 0600001630; Wireman, Marcia L., 0600001632; McMurry and Livingston, 0600001634; Endicott, Honorable Michael S., 0600001637; Reed Weitkamp Schell and Vice, 0600001641; Lochmueller, Bernardin, 0600001714; Palmer Engineering Company, 0600001716; HRV Conformance Verification, 0600001719; URS Corporation, 0600001746; Jordon Jones and Goulding Incorporated, 0600001755; Quest Engineers Incorporated, 0600001759; Stephens, Andrew M., 0600001823; Kohnen and Patton, LLP, 0600001825; Stoll Keenon Ogden, PLLC, 0600001827; Porter Schmitt Banks & Baldwin, 0600001829; Sturgill Turner Barker, 0600001831; Taylor Keller Dunaway, 0600001833. Tim Pollard discussed the contracts with the committee. A motion was made by Senator Gibson to consider the contracts as reviewed. Senator Stine seconded the motion. With Senator Tori, Senator Scorsone, Representative Crenshaw, Representative Montell, Representative Stein, and Representative Yonts electing to abstain, the motion failed to receive the requisite number of votes for official committee action.

THE FOLLOWING MEMORANDA OF AGREEMENT WERE SELECTED FOR FURTHER REVIEW:

EDUCATION, DEPARTMENT OF: Treasurer Shelby County Board of Education, 0600000558. A motion was made by Senator Scorsone to consider the agreement as reviewed. Representative Stein seconded the motion. The motion passed with Senator Scorsone, Representative Crenshaw, Representative Montell, Representative Stein, and Representative Yonts voting YES, and Senator Tori and Senator Stine voting NO. Senator Gibson elected to abstain.

HEALTH AND FAMILY SERVICES, CABINET FOR: Bluegrass Regional Mental Health

Mental Retardation, 0600000807. A motion was made by Senator Scorsone to consider the agreement as reviewed. Representative Crenshaw seconded the motion, which passed with Senator Tori electing to abstain.

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE DEFERRED FROM THE JULY MEETING OF THE COMMITTEE:

LEGISLATIVE RESEARCH COMMISSION:

Dr. James Catterall, 060702; Dr. John Poggio, 060703; Dr. Suzanne Lane, 060704; Dr. Robert L. Linn, 060705; Dr. David Miller, 060706; Dr. Andrew Porter, 060707. A motion was made by Representative Stein to consider the contracts as reviewed. Representative Crenshaw seconded the motion, which failed to receive the requisite number of votes for official committee action with Senator Gibson, Senator Tori, Senator Stine, and Representative Montell voting NO.

MENTAL HEALTH AND MENTAL RETARDATION, DEPARTMENT FOR: Crown Services Incorporated, 0600000612; Eric S. Kelley, 0600000621; James L. Saindon, 0600000632; Jewell R. Meade, 0600000634; Angela Hornsby, 0600000638; Holly Miniard, 0600000641; Jeannie L. Burton, 0600000642; Ronda A. Flynn, 0600000644; Sarah I. Foley, 0600000645; Timothy W. Poynter, 0600000648; The Chyron Group, LLC, 0600000649; MY Medroso, 0600000660; Vivian Girdler Incorporated, 0600000662; Atwell, Emma Lora, 0600000668; Cumberland Foot and Ankle, 0600000670; Huffman and Huffman, 0600000677; Firstlab, LLC, 0600000689; Michael Lukat, 0600000709; Family Allergy and Asthma, 0600000720; Crown Services Incorporated, 0600000721; Columbus Medical, 0600000722; Guardian Healthcare Providers, 0600000723. A motion was made by Representative Crenshaw to defer the contracts until the October meeting of the committee. Representative Stein seconded the motion, which passed unanimously.

MILITARY AFFAIRS, DEPARTMENT OF: James Shane gave a presentation to the committee regarding military base closures. With no further business before the committee, the meeting adjourned at 10:25 a.m.

Tobacco Settlement Agreement Fund Oversight Committee Minutes
September 12, 2006

The Tobacco Settlement Agreement Fund Oversight Committee meeting was held on Tuesday, September 12, 2006, at 1:00 PM, in Room 169 of the Capitol Annex. Representative Carolyn Belcher, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Vernie McGaha, Co-Chair; Representative Carolyn Belcher, Co-Chair; Senator Charlie Borders; Representatives Adrian K Arnold, James R Comer Jr, Thomas M McKee, and Tommy Turner.

Guests: Keith Rogers, Brian Furnish,\

Bill McCloskey, Governor’s Office of Agriculture Policy; Tim Hughes, Kentucky Agricultural Finance Corporation; Steve Coleman, EPPC Division of Conservation; Berea Ernst, Tony Herrington, John Sharpe, Marshall Gazaway , Kaycie Len Carter, and Joe Schroeder, Community Farm Alliance; and Debra Eschmeyer, National Family Farm Coalition.

LRC Staff: Lowell, Atchley, Biff Baker, Tanya Monsanto, and Kelly Blevins.

Minutes of the August 8, 2006 meeting were approved, without objection, by voice vote, upon motion made by Senator Borders and seconded by Representative McKee.

Chairman Belcher introduced the first speaker, Mr. Steve Coleman, Director, Kentucky Division of Conservation, who reported on the 2006 Kentucky soil erosion and water quality cost share program and environmental stewardship program.

According to his report, the funding level for the programs peaked at \$11,150,000 in 2000-2002, and dropped to \$9,550,000 in 2005-2006 due to budget cuts. In the first 11 years of the program, the division received 21,465 applications seeking \$213 million in cost share assistance. Because of limited funded, only 38 percent of the applications (7,725) had been approved through the years at a total of \$82.5 million, according the report. A spread sheet showed the program utilized \$48,306,937 in tobacco settlement funds since 2000-2001. Total expenditures since 1994-1995, including general, restricted, tobacco, and federal funds totaled \$58,808,107, according to his report.

According to Mr. Coleman’s report, the program had 2,360 applications in the 2006-2007 cycle; a total of 1,514 of those were approved. There were several types of soil erosion and water quality cost share practices.

Mr. Coleman told the committee the types of requests had changed through the years, reflecting the general decline in tobacco production in the state, coupled with an increase in cattle farming. Responding to Representative McKee, Mr. Coleman said a drop in the number of applications in recent year might be because of the general decline in the tobacco industry.

Next, Chairman Belcher asked Mr. Keith Rogers and Mr. Brian Furnish, Executive Director and Deputy Director respectively of the Governor’s Office of Agricultural Policy, to presented their monthly report of state and county projects reviewed at the previous Agricultural Development Board (ABD) meeting.

During discussion, Representative Comer lauded a Green County project involving construction of an agricultural marketing and education center. He said the project would be funded entirely with county funds and everyone was “sold on the project.” The representative also thanked the ADB for approving the project.

Mr. Rogers reviewed the board’s approval of a \$3,307,900 grant to the Department of Agriculture to continue a marketing and value-added processing and production program. About two-thirds of the funds (\$2,100,000) would be used for “Kentucky Proud” branding and advertising. GOAP staff had recommended

\$1,579,375 under that category. Co-Chairman McGaha asked why the final funding level was increased. Mr. Furnish said those involved in the program wanted to broaden their advertising reach into additional cities in Kentucky. Funds would pay for ads featuring basketball coaches Tubby Smith and Rick Pitino. Funds also would be used to set up kiosks in stores and other efforts.

Next, Mr. Rogers conducted a review of Kentucky Agricultural Finance Corporation (KAFC) finances. Mr. Tim Hughes, Marketing and Business Development Coordinator for KAFC, also participated in the presentation.

The speakers discussed four main topics – the Coordinated Value-Added Assistance Loan Program; the Beginning Farmer Loan Program; Agricultural Infrastructure Loan Program; and Agricultural Processing Loan Program. According to the report, the ADB had approved \$23 million for the KAFC loan programs. A total of \$14,324,810 had been committed and disbursed.

The KAFC board loaned \$967,110 of the \$1 million earmarked under the Coordinated Value-Added Assistance Loan Program to one company, Burton Livestock LLC, of Mason County. Burton Livestock would be raising about 5,000 head of dairy heifers on various farms in the area under a contract arrangement.

A total of \$115,495 had been loaned out of the \$3 million set aside for the Beginning Farmer Loan Program. During questioning,

Mr. Rogers responded to Representative Arnold that eligible loan areas for beginning farm operations included livestock, equipment, agricultural facilities, permanent working capital, a down payment for land, investment in a partnership, and other investments at the discretion of the KAFC board.

The two speakers spent several minutes discussing the Agricultural Infrastructure Loan Program, a multifaceted program which had \$8 million allocated and \$4,092,205 committed. According to their report, the program was designed to help state agricultural

producers finance long-term projects that would improve their financial viability.

Borrowers must use the infrastructure loan funds to build or install permanent structures. Loan categories included beef, poultry, equine, grain, swine, dairy, and tobacco operations. According to their report, 29 of the 71 loans approved had been for tobacco structures. Tobacco structure loans totaled \$995,160, the most among all categories. The second highest loan category was dairy, with 12 projects approved, totaling \$966,777.

The tobacco infrastructure loan program generated the most committee discussion. Tobacco infrastructure loans had been granted to producers in 14 counties.

Mr. Rogers said they had been accused of “moving” tobacco production to Western Kentucky, but producers were actually located in nine counties that were east of Interstate 65.

Responding to Representative Arnold, Mr. Hughes said tobacco loans had gone mostly for barns, but also for stripping rooms, irrigation ponds, and housing for hired help. He said most of the borrowers were tenants under the old quota system who had to lease barns. He said the program had allowed farmers the opportunity to remain in tobacco production.

Also in response to some other questions from Representative Arnold, Mr. Rogers said no amounts were set aside under the individual infrastructure categories. He said the loans could be used only for future expenses, not to cover those occurring before application. Also, the loan limit was \$100,000. An infrastructure loan must not be for more than half the cost of an infrastructure project.

Mr. Hughes explained they coordinate with local lenders, who handle the loan documents.

Mr. Hughes told Representative Arnold that another program, the Linked-Deposit Program, was still active with about \$9.2 million in outstanding loans.

Representative McKee asked a series of questions. Mr. Hughes told him the

tobacco barns were generally the conventional type and several would house 20 acres or more.

The representative questioned whether borrowers could obtain loans through conventional means. Mr. Rogers said that issue had been debated. He said the KAFC accepted a higher level of risk than banks or other lending companies. The loans also could be characterized as incentives, according to Mr. Rogers.

Representative McKee asked if they planned to shift even more funds to the Agricultural Finance Corporation. Mr. Rogers responded that in an earlier planning session the ADB set aside funds under assorted categories, including \$7 million in a “capital access” category. The KAFC board could request those funds for a project, such as a biodiesel facility, according to Mr. Rogers, but had not done so.

Referring to a map showing all infrastructure loan projects, Senator Borders questioned why none had been approved in the east and northeast part of the state. Mr. Rogers said they had received no applications from those counties. Mr. Hughes said the infrastructure loans were more long-term. He indicated that for smaller projects, borrowers could request county funds. Senator Borders emphasized a need for the officials to determine why the loans were not reaching the eastern counties. Later, Representative Arnold mentioned the entrepreneurial program that was functioning in that region.

Next, the speakers reviewed the Agricultural Processing Loan Program. A total of \$11 million had been allocated and \$9,150,000 committed to three major projects, Dickerson Lumber in Barren County, Owensboro Grain BioDiesel, and Kentucky Bioprocessing, of Owensboro.

Responding to Representative McKee, Mr. Hughes said word-of-mouth seemed to be the best way to let the public know about the KAFC loans programs. He said he had visited many banks and other venues to publicize the programs.

Chairman Belcher then asked Community Farm Alliance members John

Sharpe and Tony Herrington to address the committee.

Mr. Sharpe urged a continuation of the spirit of HB 611. But he said “large amounts of 611 funds” have been spent to support tobacco interests, biotechnology, and contemplated large feeding systems.

In his remarks, Mr. Herrington said HB 611 was meant to help tobacco dependent counties that lost income because of the Master Settlement Agreement. “These (tobacco infrastructure) loans do not,” he said. Mr. Herrington said 11 million pounds were produced in his home county, Harrison, under the old quota system, but only 2.5 million pounds were produced in 2005. He said they had enough barn space before and “certainly” would have enough barn space now.

The speaker said tobacco growing assistance could be obtained from the Burley Tobacco Growers Cooperative and from Philip Morris incentive programs.

Mr. Herrington pointed out that an entrepreneurial center included in HB 611 had never been funded. Such a center would help farmers with good ideas who lacked technical assistance and needed help with business plans, he said.

“By funding tobacco infrastructure instead of entrepreneurial assistance, we are hindering the process of rebuilding Kentucky agriculture,” he said.

Mr. Sharpe addressed Senator Borders, saying contract growing or biodiesel are not the type of loans they needed. Should the current price for tobacco increase, he said, barns would begin to be filled. He cited the importance of producing food products at the local level to supply to schools and the like.

Representative McKee told the speakers their ideas were something to consider. He suggested the two groups, the CFA and ADB, meet and discuss their differences. Chairman Belcher also said it appeared additional lines of communication needed to be opened.

Documents distributed during the committee session are available with meeting materials in the LRC Library.

The meeting adjourned at approximately 3 p.m.

Raw milk, from page 2

the National Association of State Departments of Agriculture in 2004 showed 22 states permitted the sale of raw milk and/or raw cream on the farm where they were produced that year while 29 states did not.

Of the 22 states permitting on-the-farm sales, eight of those states have reported food borne illness outbreaks

caused by raw milk consumption, the survey indicates.

Opponents of the sale and consumption of raw milk and its products say every state that allows the sale of these products has experienced human illness linked directly to the products’ consumption, said Judge. The state Department of Public Health is one of

the opponents.

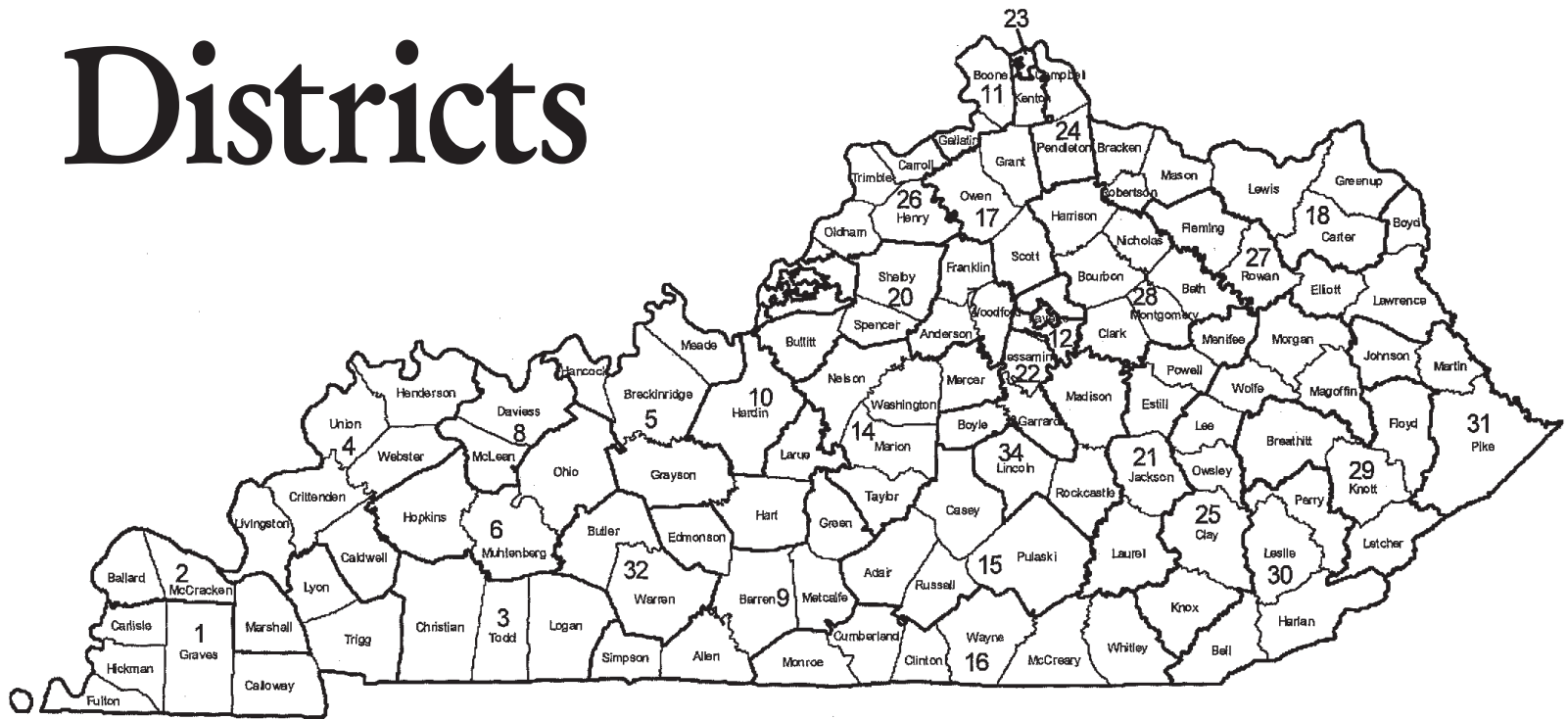
Judge said state Public Health officials justify their opposition to allowing raw milk sales by saying pasteurization is the only way to ensure product safety. “(They contended that) no matter how healthy an animal looks, there really is no way to tell if that milk is safe except by pasteurization,” Judge

told the committee.

Still, proponents believe a state testing, regulation and inspection process for raw milk sale and consumption could be created to protect the public, he said.

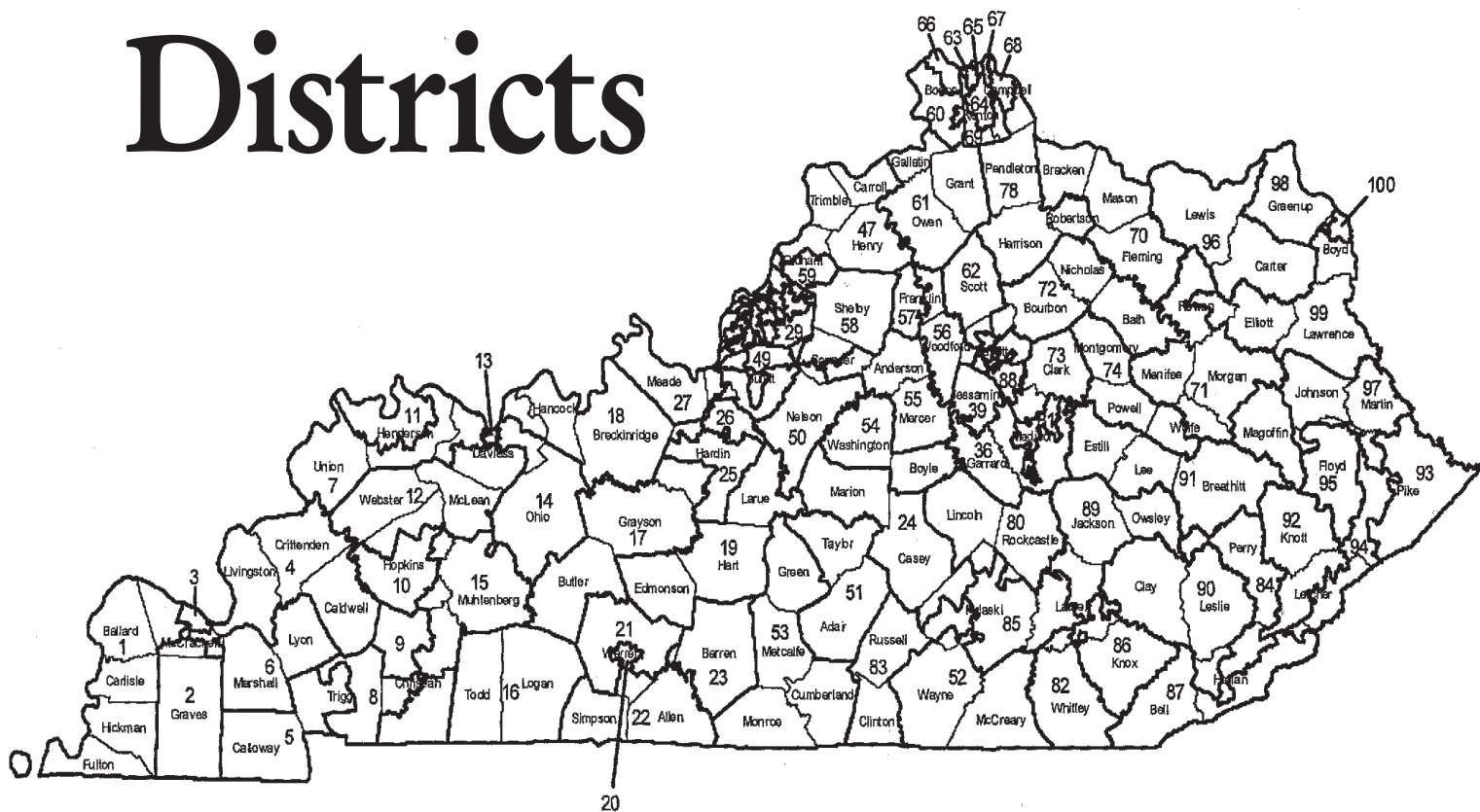
Judge told the committee that at this time, no additional meetings of the task force are scheduled.

Senate Districts

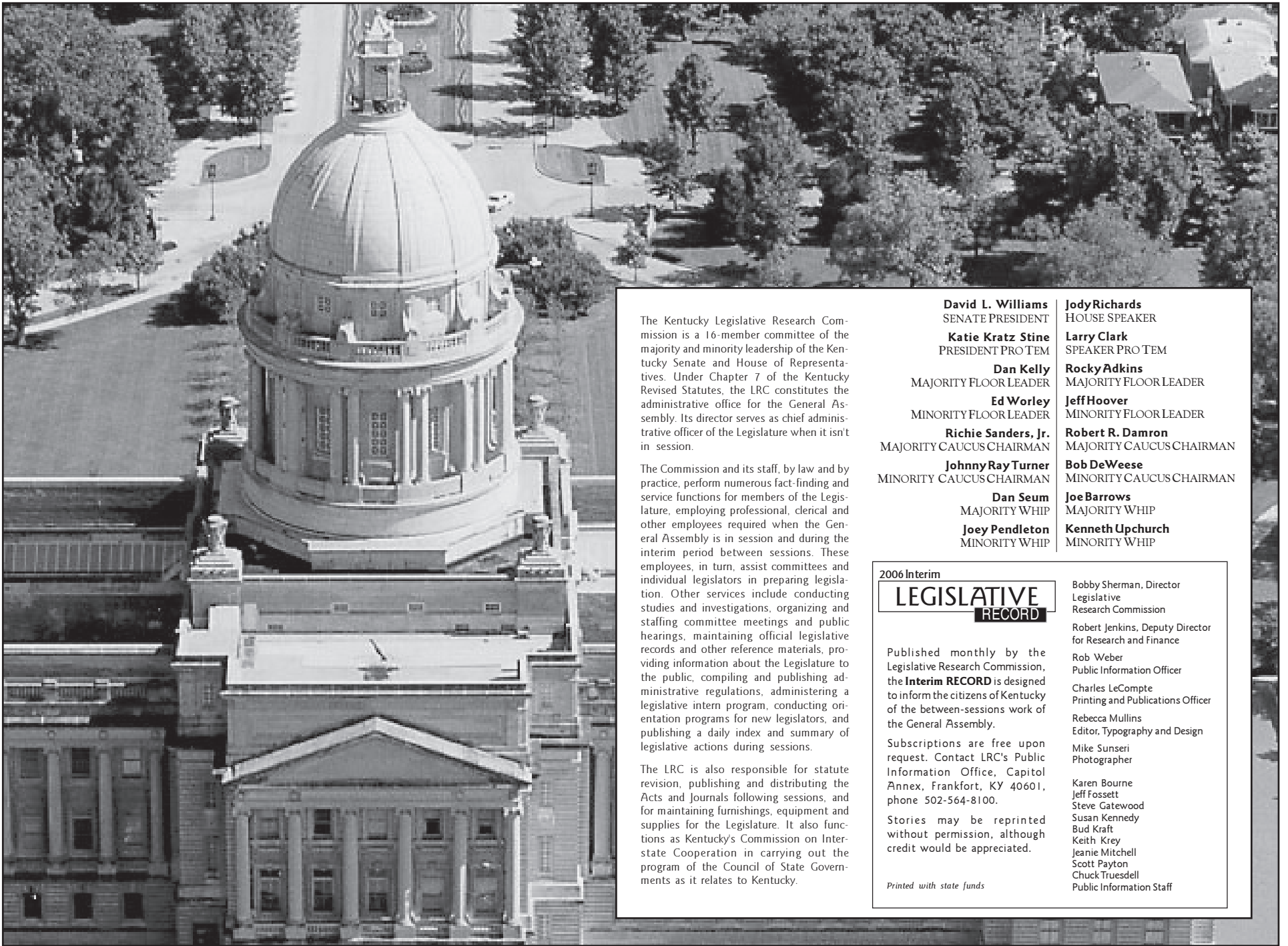


Senate Plan (SH001A09) became law (KRS 5.101 - 5.138) January 31, 2002, with enactment of House Bill 1.

House Districts



House Plan (HH001A11) became law (KRS 5.201 - 5.300) January 31, 2002, with enactment of House Bill 1.



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Published monthly by the Legislative Research Commission, the **Interim RECORD** is designed to inform the citizens of Kentucky of the between-sessions work of the General Assembly.

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